EUROPE'S BUSINESS NEWSPAPER

SOVIET UNION Gorbachev starts looking eastwards Page 16



Monday September 19 1988

World News

Swedish Government set to

The Social Democrats will continue to govern Sweden with the support of the Com-munists after yesterday's gen-eral election, polling about half the votes between them. The Greens will come into Parliament for the first time with 5.5 per cent of the vote. Page 18

Coup in Haiti Brig-Gen Prosper Avril pro-claimed himself Halfi's presi-dent after an apparently hlood-less conp by middle-rank officers that oussed President Henri Namphy. Page 2

Gilbert peters out

Hurricane Gilbert, the most powerful Atlantic burricane this century, petered out yes-terday in north-eastern Mexico after a week-long rampage across the Caribbean. It killed 250 people, left a million bome-less and destroyed \$10bn of property. Page 18

Pope criticised

Rev ABan Boesak, South Afri-can anti-apartheid church leader, said Pope John Paul II had "given the South African Government more comfort than it deserved" during his tour of the region.

Resignation threat

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Turkish Premier Turgut Ozal said he would resign and leave. politics if voters overwhelmingly rejected a proposed con-stitutional amendment in a: referendum this week.

Gangland round-up

Police arrested 750 people in anti-gang sweeps through Los ... Angeles. Two people were killed and five wounded in suspected gangland shootings. bringing to 212 the number of gangland deaths in Los Angeles this year:

Olympic gold sweep Communist countries took all

five golds on the first medal : . day of the Seoul Olympics, set-

Elsevier and **Reed** came close retain power to merger

Business Summary

ELSEVIER, Dutch publishing group which last week-announced a strategic link-up with Pearson, the diversified group which publishes the Financial Times, came close to merging with Reed Interna-tional, the British-based pub-lishing concern, earlier this year. Page 7 year. Page 7 EUROPEAN Commiss

advisers are due to decide today whether to recommend shelving draft plans for common standards for the protec-tion of the EC's 80m credit card holders. Page 6 **EUROPEAN Monetary System**

West Germany's growing trade surplus was considered the main factor behind renewed tension within the EMS last week. The Bank of France sold some of D-Marks to try to

underpin the French franc. All currencies traded within their divergence limits; how-ever, the growing trade imbal-ance between West Germany and its EMS partners caused concern.

EMS

September 16,1988 Grid 2% 2% - 0 8 Franc Lina F Franc D.Krone Guilder D-Mark

Staring 14.7 ECU Divergen 8 Franc Line F Frant D.Krone Guilder D-Mark Irish Pas

ECU Day Limit Parity Position

The chart shows the two constraints on European Mo System exchange rates. The upper grid, based on the woak-est currency in the system, defines the cross-rates from which no currency (Except the

resources of the international Monetary Fund until member governments agree a firm pro-gramme to reduce the soaring level of bad debts to the Fund. Mr. Michel Camdessus, IMF lind) may move by more than 24 per cent. The lower chart gives each currency's divergence managing director, is expected

Burma army takes over in old-guard bid to keep power

By Roger Matthews In Bangkol

BURMA'S armed forces took control yesterday in a coup giving the country its fourth head of state within two months. A night curfew was imposed in the capital of Rangoon and all demonstrations were ban-ned as the preimo which hea

in the capital of Rangoon and all demonstrations were ban-ned as the regime, which has ruled Burma for the past 26 years, launched its latest and most desperate bid so far to rotain roomar offered more substantial concessions to the opposition lead-ers and even convinced some observers that he was prepar-ing to hand over to an interim government which would overretain power. As darkness fell, demonstra-

tors in Rangoon ignored both the ban and the curfew and there were reports of exploee multi-party general elections But the students and Buddhist monks, who have been in the forefront of the mass pro-tests which have made Burma sions and gunfire. The coup comes after two months of mounting anarchy, with the country at a standstill ungovernable since July, were

and the streets regularly filled with tens of thousands of dem-onstrators demanding multi-party elections and mconvinced Some student leaders claim that the regime's decision to stage a military coup had been taken as long ago as Argust 23 and that the interim period had been used solely for the purpose of encouraging opposidemocracy. The coup was nominally led by General Saw Maung, the Defence Minister and Army

Chief of Staff. He has been tion leaders to expose themnoted principally for his loy-alty to General Ne Win who took power in a peaceful coup in 1962 and ruled the country in an increasingly autocratic manner until he stepped down enddown in hely selves to the authorities. Students and monks immediately took to the streets again yesterday chanting defiance to the latest military Government suddenly in July. General Saw Maung is the third member of General Ne Win's inner circle to attempt to restore the regime's authority.

By Phillip Stephens, Economics Correspondent, in London

Warsaw

thousands of demonstrators gathered outside the American embassy and the general hospi-tal, scene of previous confron-tations with the military. A witness said the demonstrators were armed with a variety of weapons but did not appear to

have any firearms. The mood of the students was described as determined and some seemed to relish the prospect of a confrontation with the army as the only way finally to topple the Ne Win regime. In some areas, trees were felled and concrete blocks placed as barricades across

main stre Burma Radio last night broadcast martial music punctuated hy announcements of the coup and the establishment of a 19-member Organisation for Building Law and Order in the State, headed hy General Saw Maung and composed antically of society military offientirely of senior military officers. The Organisation said its The Organisation said its purpose was to balt the deteri-oration in conditions through-out the country, in the inter-ests of the people. It urged all political organisations which accepted the practice of genu-ine democracy to start prenar-

ine democracy to start prepar-ing for elections. All state employees were ordered to

Continued on Page 18

Polish to resign as criticism increases

THE POLISH Government which has come under attack in recent months for its handling of the economy, is to resign today at a meeting of Parliament, Mr Zbigniew Mes-sner, the Prime Minister, told **Communist Party deputies** yesterday.

The resignation will come as Parliament debates a report by its Economic Reform Committee, which is expected to repeat criticism openly voiced that the Government's commitment to economic reform has been half-bearted and its prices policy, which led to recent industrial unrest, misguided.

General Wojciech Jaruzelski communist Party deputies who hold 245 of the 460 seats in the Chamber was to be a free one. He made no mention eign. of any possible successor; nor did he attack the Prime Minis-ter directly, but merely asked his Parliamentary colleagues to use their best judgment on whether to accept the resigna-

Mr Messner has been Prime Minister since autumn of 1985 and next month he was to have hosted a visit to Poland by Mrs Thatcher, the British Prime Minister. If, as is expected, the reaignation is accepted, it seems likely that Mr Messner will be asked to

perform a caretaker role until a successor is chosen. The Government came in for Leavy criticism at a Central Committee meeting at the beginning of this month, and there General Jaruzelski went out of his way to avoid giving the impression that Mr Mes-sher was heing used as a scapegoat to ease the party's present plight. Nevertheless, this is the way

the resignation will be seen at large, as General Jaruzelski himself is beset by widespread discontent at the state and prospects for theeconomy and now demands that solidarity be re-legalised. Official opinion polls are showing growing public tolerance of strikes and

Market forces Tokyo to trim NTT sell-off

UNFAVOURABLE market announced on Friday by the Ministry of Finance, saying that it would belp improve the tone of the market for the

the gradual privatisation of the telecommunications utility. The number of shares available in the third tranche of

NTT shares to be sold has been cut from a planned 1.95m to 1.5m. But with NTT shares closing on Friday at Y2.2m ond issue, only a few weeks (\$16,457) each. even the after black Monday. However, reduced number is expected to analysts doubt that the Gov-raise more than Y3,000bn ernment and the big securities

but some brokers are willing to hold them on behalf of foreign year. For one thing, any signifi-cant improvement in the NTT clients. Altogether, some 260 securities firms are expected to participate in the distribution of the shares, 40 of them for-

Analysts say the Tokyo trading scandals, there is

In the year to August, the those outstanding, and plans to combined value of equity and make further large annual

uled for October 20 and 21 and Japanese securities industry officials welcomed the decision 3.5 per cent below the closing to reduce the allocation, market price on October 19.

Japanoffersto share **HDTV** technology

By Maggie Ford in Seoul

JAPAN yesterday launched a counter attack in the battle over standards for new generation high definition television by offering the technology to any foreign company which wanted it at a price reflecting only the development cost. Europe and the US have

any company wishing to make receivers. Japan had spent 20 years developing HDTV and was far abead of other coun-tries, said Mr Shima.

NHK planned to have talks shortly with Philips of the Netherlands and Thomson of France and the European recently announced that they Broadcasting Union on the plan to set their own standards standards issue. Further talks

and raising the prospect that the military and the demon-strators might now be moving towards direct and dangerous conflict with each other. **US insists on programme**

Yesterday evening many

to cut IMF bad debts

growing."

presidential election. The

expectation was that loose guidelines might be established by finance ministers at the

Berlin meeting. In preliminary talks among senior officials last week, how-ever, the US - the IMF's larg-

est shareholder - indicated

Government

By Christopher Bobinski in

D 8523 A

By lan Rodger in Tokyo

(\$22.46bn).

last year.

conditions have forced Japan to reduce the number of shares of Nippon Telegraph and Tele-phone to be offered to Japanese investors next month as part of

issue. NTT shares bave performed especially poorly since the sec-ond tranche of 1.95m shares was sold to the public by the

Japanese Government in November at Y2.55m a share. Last autumn, the shares did well in the run up to the sec-

(\$22.46bn). bouses, which were accused of By law, only Japanese managing the market last year, nationals can buy the shares, will be able to do it again this

share price could lead to a lot of selling by disgruntled pur-chasers of the last issue. Also,

Analysts say the Tokyo trading scandals, there is stock market, which has been relatively stagnant for the past three months, bas been adversely affected hy a large volume of new issues and the especially the NTT issue. In the year to August the

equity-related issues was about issues to reduce its stake ulti-Y8,800hn, roughly 20 per cent mately to about 33 per cent. The third tranche is sched-

ting two world records along the way. South Korea's passion, Page 4 "

Coca-Cola ban lifted

Kuwait joined three other Gulf Arab states in lifting a 21-yearold ban on Coca-Cola in spite of an Arab decision to keep it on a black-list for its dealings with Israel

W Sahara battle

Morocco and its guerrilla enemies in the Polisario Front reported a battle in the Western Sahara less than three weeks after conditionally approving a United Nations peace plan. Morocco said there were 270 casualties.

Solidarity's return

Solidarity leader Lech Walesa told tens of thousands of cheering Polish workers that the free trade union very soon be restored to legal status.

Yugoslavs protect

Tens of thousands of Yugo-slavs threatened mass rebellion if the country's leaders failed to take action against the alleged persecution of Serbs by ethnic Albanians in Serbia's Kosovo province.

Soviet decree

The Soviet Union, in a hardline decree, made demonstrating punishable by heavy fines and the organisers hable to labour camp terms.

Bangladesh flooding

Monsoon-swollen rivers from neighbouring India have trig rered more floods in parts of Bangladesh, where at least 950 have already died.

israeli space bid

Israel is close to launching its first space rocket, the Israel-Space Agency said.

Ninety-year sleep Gold prospectors in Siberia found a frozen amphibian in a shaft they had sunk into the permafrost, and revived the animal from a 90-year "sleep," a Soviet newspaper reported.

Jackson's \$60m

Pop singer Michael Jackson has passed comedian Bill Coshy to become the world's highest-paid entertainer,

l the "central tale" the European Currency Unit (Ecu), itself derived from a basket of European currencies.

GREENLAND is to raise money abroad for the first time, in a move that will burden its people with more foreign debt per head than Brazil. Page 24

WEST GERMAN Finance Ministry has agreed the basic outline of a plan to restructure Bonn's funding of the Airbus project. Page 6

SOVIET UNION agreed to lend China SFr130m (\$82m) to complete a rail line across their central Asian border on which work stopped 30 years ago.

CANADA will experience some moderation in economic growth over the next 15

months, according to a report hy the Organisation for Economic Co-operation and Development, after five years when its real output expanded faster than that of any other major **OECD** member. Page 2

COCOA: Crisis talks at the International Cocoa Organisa tion (ICCO) in London ended Saturday morning with dele-gates no nearer any solutions to their pressing problems than they were two weeks ago. Page 3 IPECO HOLDINGS, manufac-

turer of specialist products for the aviation and defence industries, showed a decline from the figures of the corresponding period and is to sell its loss maker Airlec, cargo handling equipment business. Page 20

MILAN BOURSE sees its largest fund-raising operation of the year launched with a L1,100bn (\$785.7m) rights issue for Assicurazioni Generali, Italy's biggest insurance group and third ranking insurer in

Europe Page 24 **ROBERT M. BASS Group is** terminating its \$75 a share tender offer for Macmillan, US publisher, because of an offer. from Robert Maxwell's Maxwell Communication for about \$87 a share. Page 24

STATOIL, Norway's state oil company, is to raise about NKr300m (\$45m) through the sale of a 1 per cent stake in Statpipe, 600km gas pipeline. Page 24

FIRST BOSTON, US investment bank, is to buy MacNab Clarke, one of Australia'a top institutional brokers, for an unspecified sum, a major expansion for First Boston in Australia. Page 24

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to call for a rise of hetween 50 and 100 per cent in quotas, or memhership subscriptions, during the Fund'a annual meeting in Berlin next week.

The quotas, which stand at SDR 90bn (\$115.25bn), provide the basis for the Fund's lending activities and were last increased in 1983. Mr Camdessus has indicated

that he believes a rise of at least 50 per cent is needed to take account of economic growth and inflation over the st five years and that a rise of 100 per cent would be prefer-

states.

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Companie

Appointments

Arts-Reviews

World Guide

CONTENTS

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THE MONDAY INTERVIEW

report shows that the amount owed by member countries A decision on the increase was due earlier this year but the deadline was postponed until April 1989, after the US

THE US Administration has

indicated that it intends to block a planned increase in the

that it was drawing a direct has now risen to SDR 2.8bn, of which SDR 2.2hn has been link hetween any quota increase and an agreement on overdue for two months or efforts to reduce loan arrears. more. An Administration official,

Most of the money is owed confirming the US position, said: "We would not be willing by a small group of countries - Peru, Liberia, Zaire, Sudan, Sierra Leone, Vietnam, Guyana and Somalia and Zambia are to support a quota increase while the arrears problem in the Fund is not resolved and is thought to account for more than 90 per cent.

SDR 1.9bn at the end of the financial year which ended in

April. The report says: "The elimination of arrears is cru-cial for maintaining the finan-

More recent figures, how-ever, are thought to show the

total in outstanding arrears

cial integrity of the Fund."

Washington's view is that even if it were proposed by the Administration, the Congress The problem is that almost all the main debtors have been declared ineligible for further would not be prepared to agree fund assistance, which in turn to a quota increase until the bad debts trend is reversed. virtually cuts them off from other sources of finance. In The Fund's latest annual most cases that has created a vicious circle in which it is

impossible for them to reduce with payment arrears of six their arrears. months or more rose dramatic-**Economics Notebook**, Page ally from SDR 182m in 1985 to 19

UK leads minority against EC tax harmonisation proposals

By David Buchan in Elounda Beach, Crete

NINE OF the European Community's 12 members now The tax issue dominated the ments, including the UK discussions which also touched on the forthcoming IMF-World Bank meeting and on EC infraappear ready to accept the principle – although by no means all the details – of the structure funding, hnt not - despite the presence of cen-European Commission's con-troversial indirect tax harmontral bank governors - on the isation plans. EMS

The Commission said it However, Britain, Denmark would amend, prohably by the end of this year, its proposals to move national rates of value and Luxembourg remain in varying degrees of opposition to a fiscal plan that requires unanimity among EC member added and excise taxes closer together, in preparation for a barrier-free Community after The nine-three split emerged from an informal meeting of 1992

But Lord Cockfield, the EC EC finance ministers convened internal market commissioner, made clear that the amendat by Greece at a Cretan beach resort. Greece at present holds ment - to be made after new the presidency of the EC Counconsultations with all govern-

age 40

Editorial Commant

Financial Diary

2-4.8 Crossword

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- would be aimed at meeting the many objections to his call for single EC excise duty rates on alcohol, tobacco and petrol, and to his proposed "clearing system." This would allocate VAT

receipts among EC statea which would not have fiscal frontiers between them. The Commissioner said,

however, that he found general majority support for grouping national VAT rates into two bands, which he provisionally sets at 4 to 9 per cent for "necessity" items and a 14 to 20 per cent standard rate.

Neither Lord Cockfield nor Continued on Page 18

Management: Bosch tries to reduce human error to a minimum ... - 14 Bill Gates, chairman Editorial comment: Partnership in UK trainand co-founder of Microsoft, the world's ing; Iraq defies the world largest independent illegal share dealing: The attempt to put computer software insiders inside company, has made it . 17 almost immune from Less Buy-outs; BP Gold; Warrants18 changing fashion and technological traumas Survey: Retailing 25-28 which affect the indus-The Business Column: Still big differences between US and Japanese companies 40 Survey: Wales Section III - 17 Stock Markets .----37 38 Lex -Wall Street ... -London 29 Monday Page ... 40 UK Gilts . _ 19 36-33 Money Markets 15 Int.Cap.Markets 21,22,24 Observer . 15

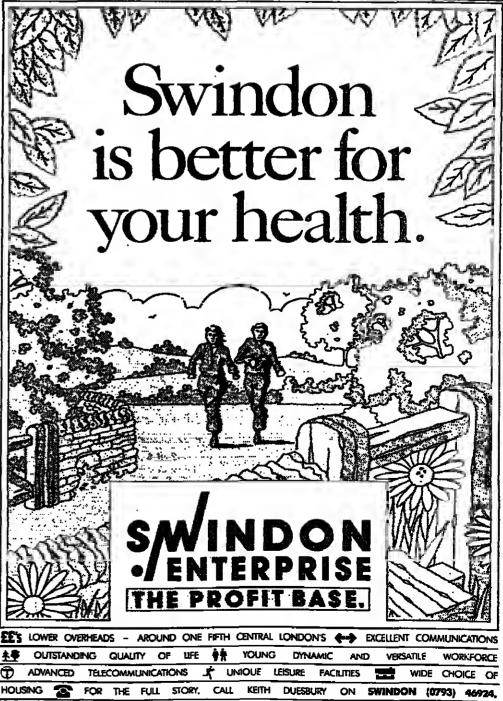
a plummeting popularity of government and party figures, while the standing of Solidar-

ity leaders has improved. Last week, the official OPZZ Trade unions called for the Government's resignation in a bid to improve their own image and channel public resentment against the adminstration. rather than the Communist Party.

for HDTV, raising the possibilwere also planned with US ity of three incompatible systems being introduced. Mr Keiji Shima , chief execu-Government and industry officials.

It had already offered its technology to Samsung Elec-tronics, the South Korean protive of NHK, the state-owned Japanese broadcaster, said this ducer. Mr Shima said the offer to sell its technology at cost was would lead to the same inconvenience as existed with the first generation of colour television sets. in accord with recent guide-

He said NHK was willing to lines by the US Federal Comgive its technology at cost to Continued on Page 18



THAMESDOWN BORDLICH COUNCIL HAS A BANGE OF SITES AWALABLE.

OVERSEAS NEWS

Canada's growth Bentsen scours the South for 'Reagan Democrats' to slacken soon, **OECD** reports

By David Owen in Toronto

CANADA will experience some moderation in economic growth over the next 15 growth over the hext 15 months, according to a report by the Organisation for Eco-nomic Co-operation and Devel-opment, after a five-year period when its real output expanded more rapidly than that of any other meter OFCD member other major OECD member.

In a survey of the country's economic prospects published today, the organisatinn forecasts growth of about 4 per cent in 1988, falling to 3.25 per cent in 1989, "in the absence of a recession abroad". The organisation also pro-

jects that unemployment will drop below 7 per cent, from 7.75 per cent, in mid-1988, and that inflation will "edge up" from about 4 per cent now.

Fiscal strategy may have to be reappraised, however, with increasing efforts directed at further reduction of the federal and provincial budget deficits. These totalled 4.5 per cent of gross domestic product in 1987. The OECD gives three main

by the Bank.

reasons wby it considers such effints "indispensable": to conpolicies, the report warms.

trol the build-up of debt, to make funds available for promake funds available for pro-ductive investment and to con-tain inflationary pressures. So, although the federal bud-get deficit has been reduced from 7.4 per cent of GDP in 1984-85 to 3.9 per cent in 1987-88, a more rapid fiscal con-cellent of the federal con-

solidation than that set out in the government's February 1988 medium-term plan would seem desirable Because of dwindling domes-

tic savings, the government has been driven increasingly to finance the budget deficit by borrowing abroad, to the detri-ment of the country's balance of payments. The current external deficit is forecast to widen by fully for an entry

widen by fully 50 per cent The country's monetary policymakers are praised for let-ting interest rates rise promptly to nip inflationary pressures in the bud from 1986 area onwards. The unexpectedly strong growth since mid 1987, however, has made it all the more important that monetary restraint be supported by other

LANDESBANK RHEINLAND-PFALZ

NOTICE OF A MEETING

of the holders of

Landesbank Rheinland-Pfalz - Girozentrale -

A\$ 30,000,000 13 per cent. Notes due 1989

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the above-mentioned

NOT ICE IS HERED'I GIVEN that a meeting of the holders (the "Notesiloters" you the above mendoled Notes (the "Notes") convened by the Bank will be held at the offices of The Royal Bank of Canada, 71 Chuesn Victoria Street, London EC4V 4DE on 14th October, 1988 at 2.30 p.m. (London-time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Fiscal Agency Agreement dated 30th April, 1986 made between Landesbank Rheinland Platz – Cirozentrale- (the "Bank") and Orion Royal Bank Limited (the "Fiscal Agent") and others relating to the Notes, as amended,

The Resolution, If passed, will modify, inter alia, the Terms and Conditions of the Notes (the "Conditions") by

the message: Senator Benisen, 67, may have a courty manner more suited to the Honse of Lords, but he is also a Texan, a plain-talkin' man of the South who can appeal to the region's

conservative Democrats. At a Saturday morning rally in Panama City, as the country and western band mercifully jigged its way to a close, the Democratic vice-presidential

HERE IN THE "redneck Riviera" on Florida's gulf coast, Senator Lloyd Bentsen thells Democrats that he speaks three languages: English, Span-ish and Southern. His audience invariably gets the messen looking for old friends who have wandered away in looking for the Reagan Demo-crats and I'm urging them to come home." Whether they are respond. Whether they are responding, as Senator Bentsen claims, is an open question. Once bit-ten by liberal Democratic presi-dential candidates such as

By Lionel Barber in Panama City, Florida

dential candidates such as George McGovern and Walter Mondale, these voters have continued to support local Democratic party candidates for office but fought shy of the national ticket. In 1980 and 1984, they turned to the more

reassuring figure of Ronald promoting the Dukakis-Bent-

Reagan. Senator Bentsen, a decorated Second World War bomber pilot who is strong on national defence, against gun control and for aid to Contra rebels in Nicaragua, is supposed to hal-ance Governor Michael Duka kis of Massachusetts at the top of the Democratic presidential ticket. His selection, he says, shows that in 1968 the Demo-

crats will not abandon the South to the Republicans and Vice-President George Bush. Yet for all the talk of party unity, southern Democrats still sound a touch delensive when

sen ticket. Senator Bentsen's campaign role is to talk Southern and to vouch for Mr Dukakis - who remains best known for his unusual name and the fact that he comes from liberal Massa-

The balancing act is essen-tial if the Democrats in 1988 are to stay competitive in southern states such as North Carolina, Arkansas, Tennessee, voice in economic and trade policy (Senator Bentsen was a all of which have recently elected progressive Democratic governors and ought therefore to lean to the Dukakis-Bentsen co-author of this year's Omni-bus US Trade Bill.) If Mr Dukakis wins, Senator

Senator Bentsen will be a powerful figure in US politics no matter what the outcome of the November election.

Under Texas electoral rules he is allowed to run simulata-neously for Vice-President and re-election in his home state, where he is considered a certainty. If the Democratic ticket loses, he will continue as chair-man of the Senate Finance Committee which has a key

TUS CAMPAIGN '88

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Bentsen is likely to make sure he has influence as Vice-Presi-dent in trade and international economic policy. Having served 18 years in the US Sen-ate, he is not accustomed to taking a back seat in policymaking

Inflation 'unchecked in Latin America'

By Nancy Dunne in Washington

"A decline in the availability of goods in the economies of the region (increased exports combined with lower imports) has led to a demand-pull type LATIN AMERICA'S debt load last year continued to weigh repressively on the economy by boosting inflation and restraining snrely needed investment in productive capacity, according to the Inter-American Development inflation with declining sup-plies rather than increasing income [with some exceptions] Bank's annual report on the being the key factor driving prices upwards," the report While the industrialised

countries have been control-ling inflation. Latin America has been unable to make simi-lar progress, largely because of net financial transfers going Says. Although the region's rate of growth of GDP dropped off last year - from a 3.6 per cent average in 1984-86 to 2.6 per

cent in 1987, the IADB was able to spot soma hopeful signs. Some countries have made remarkable improvements on inflation, notably Bolivia, which suffered the worst rate in the region (over 11,000 per cent in 1985). Bolivia was able to bring prices under control so that by last year the CPI rose by a comparatively mod-est 14.6 per cent.

In a speech delivered last Tuesday by Mr Enrique Igle-sias, the Bank's new president, and in the annual report, Latin

America's move toward an export culture was viewed as one of the more positive

trends. The manufacturing sector The manufacturing sector lost momentum; the share of bealth outlay as a percentage of total spending is now lower than at the beginning of the decade. Although Latin Amer-ica has sacrificed immeasur-ably and introduced many structural reforms, the region cannot recover without con-certed action to reduce the debt hurden

Army faction seizes power in Haïti ties, liberties and human

BRIG-GEN Prosper Avril declared himself president of the Caribbean republic of Halti yesterday, having ousted President Henri Namphy, AP reports from Portan-Prince. rights. He has been a key figure in government since Mr Davaller fied to exile in France in 1986. He was an adviser to a mili-tary-civilian junta, headed by Gen Namphy, which succeeded Mr Duvalier. A senior official said yester-

day Col Jean-Claude Paul was named the new commander-in-chief of the army. Col Paul was indicted by a grand jury in the US in March for conspir-

reports from Port-an-Prince. Lt-Gen Namphy was then granted political asylum by the neighbouring Dominican Republic and travelled to its capital. Speaking on national falsyl-sion early yesterday. Gen Avril said the presidential guard that he commands had toppled Gen Namphy on Satur-day because it was "sickened" by the way Haiti was being governed.

in the US in anitar in the contra into the US in a charge he denied. The conp came six days after thugs had invaded a church in governed. Residents had reported hear-Port-au-Prince during Mass being said by Fr Jean-Bertrand ing heavy gamfire on Saturday near the presidential palace, in, what appeared to be fighting between military factions. Gen Avril, a former adviser

Aristide, a regular occasion for vehement criticism of the military government. They killed 13 people and wounded 77, and set fire to the church as soldiers watched to President Jean-Claude Duvalier, said Halti will respect all international tresfrom across the street.

OBITUARY: HENRY C. WALLICH Inflation-fighter of great charm and energy

age of 74. He was a Governor of the Federal Reserve Board for 13

years before retiring in 1986 and played a key role in the formulation of the international monetary co-operation policies of the central banks of the main industrial countries. His personal charm and warmth endeared him to his retirement. students and his colleagues. Professor Wallich was widely

students and his colleagues. His career spanned business, journalism, academia and gov-governor responsible for inter-national affairs during fre-Professor Wallich travelled and wrote prolifically in his efforts to increase mutual understanding among policy-makers at the highest levels of Government, while trying to make the formulation of He is survived by his wife domestic and internation of He is survived by his wife domestic and international Mable, his mother, two daugh-monetary policy more readily ters and a son, and two grand-understandable to journalists children. and lay people. He maintained, in spite of

PROFESSOR Henry C Wallich regarded as the definitive work has died in Washington at the on the roots of West German

on the roots of west certain postwar economic recovery. At the Fed, Professor Wal-lich was seen as a conservative in his views on monetary pol-icy views. "Henry is, first of all an inflation-fighter, deeply committed to be need for one committed to the need for cur-rency and financial stability," Mr Paul Volcker, then chair-man of the Fed, said on his

The resonance, passed, with modely, inter and, the terms and conductors of mervous (the "commons") by the insertion of an additional Condition pursuant to which the Sank may, without the consent of the Note-holders or the holders of the coopons appertaining thereto (the "Couponholders" and the "Coupons", respectively), effect the substitution of a direct or indirect subsidiary of the Bank incorporated or estab-sched outside the Federal Republic of Cermany as debtor under the Notes and Coopons and the discharge of the Bank from its obligations and itabilities under the Notes and Coupons, subject to the payment of prin-cipal, interest and other amounts in respect of the Notes being unconditionally and interocably guaranteed with a law. by the Bank. Noteholders should note, in particular, that, in connection with any substitution effected pursuant to the modified Conditions, the Bank will not be required to have regard to the consequences of such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resi-dent in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Note-holder or Couponholder will be entitled to claim from the Bank or the substituted debtor any indemnification or payment in respect of any tax or other consequence arising from such substitution.

bion or payment in respect of any tex or other consequence arising iron such substitution. Full details of the background to, and the reasons for, the proposed modification and the Euraordinary Resolution are contained in an Explanatory Statement prepared by the Bank dated 19th September, 1988, copies of which are available for collection by Noteholders at the specified offices of the Agents for the Notes specified below. The Explanatory Statement contains, inter alls, (1) the form of the Conditions as they will be if the Euraordinary Resolution is passed and (2) the form of the Deed of Gaarantee by the Bank for, or substantially in, the form in which is will be executed in connection with any substitution of debtor effected in accordance with the Conditions as so modified (and having attached Conditions in, or substantially in, the form which would apply following any such substitution].

LANDESBANK RHEINLAND-PFALZ

NOTICE OF A MEETING of the holders of

Landesbank Rheinland-Pfalz - Girozentrale -A\$ 40,000,000 14% per cent. Notes due 1990

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the above mentioned Notes (the "Notes") convened by the Bank will be held at the offices of The Royai Bank of Canada, 71 Queen Victoria Street, London EC4V 4DE on 14th October, 1988 at 10.30 a.m. (London-time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinery Resolution in accordance with the provisions of the Fiscal Agency Agreement Cated of the March, 1967 made between Landesbank Rheinland-Pfaiz - Girozentrale - (the "Bank") and Banque Paribes (Lanzenbourg) S.A. (the "Fiscal Agent") and others relating to the Notes, as amended.

S.A. (the "Hecal Agent") and others relating to the Notes, as amended. The Resolution, if passed, will modify inter alla, the Terms and Conditions of the Notes (the "Conditions") by the insertion of an additional Condition pursuant to which the Bank may without the consent of the Note-inders or the holders of the coupons appertaining thereto (the "Couponholders" and the "Coupons", respectively), effect the substitution of a direct or indirect subsidiary of the Bank, incorporated or estab-tished outside the Federal Republic of Germany as debtor under the Notes and Coupons and the discharge of the Bank from its obligations and flabilities under the Notes and Coupons, subject to the payment of prin-cipal, interest and other amounts in respect of the Notes being unconditionally and irrevocably guaranteed

by the Bank. Noteholders should note, in particular, that, in connection with any sobstitution effected pursuant to the modified Conditions, the Bank will not be required to have regard to the consequences of such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resi-dent in, or otherwise connected with, or subject to the jutisdiction of, any particular territory and no Note-holder or Couponholder will be enabled to claim from the Bank or the substituted debtor any indemnifica-tion or payment in respect of any tax or other consequence arising from such substitution. Full details of the background to, and the reasons for the proposed modification and the Extraordinary Resolution are contained in an Explanatory Statement prepared by the Bank dated 19th September, 1988, copies of which are available for collection by Noteholders at the specified offices of the Agents for the Notespecified below. The Explanatory Statement contains, Inter sila, (1) the form of the Conditions as they with be it the Entraordinary Resolution is passed and (2) the form of the Deed of Guarantee try the Bank in, effected in accordance with the Conditions at so modified fand having attached Conditions in, or substantially in, the form which would apply following any such substitution.

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders (the "Noteholders") of the AS 30,000,000 13 per cent. Notes due 1989 (the "Notes") of Landesbank Rheinland-Pfalz - Girozentrale - (the "Bank") issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 30th April, 1986 mask between the Bank and Orion Royal Bank Limited as Fiscal Agent (the "Fiscal Agent") and others, as amended, hereby: -

- (1) assents to the modification of the Terms and Conditions of the Notes (as printed on the reverse thereof and in Schedule 1 to the Fiscal Agency Agreement proposed in paragraph (b) of the Explanatory State-ment issued by the Bank and dated 19th September, 1988, a copy of which has been produced to this Meeting and initialied by the Chairman hereof for the purpose of identification;
- (2) sanctions every modification, abrogation, variation, compromise of, or arrangement in respect of, the rights of the Notcholders and the holders of the Coupons appertaining to the Notes against the Bank involved in, or resulting from, the modification referred to in paragraph (1) of this Resolution or any substitution of debtor made porsuant to, and in accordance with, the Terms and Conditions of the Notes are consultant and as so modified; and
- (3) authorises the execution of a Supplemental Fiscal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman hereof to give effect to the modification referred to in paragraph (1) of this Resolution".

The attention of Notcholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph (2) of "Voting and Quorum" below.

Copies of the Fiscal Agency Agreement (including the currently applicable Conditions) and of certain other relevant documents are available for inspection by Noteholders at the specified offices of the Agents for tha Notes specified below.

VOTING AND QUORUM

1. A Notcholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by an Agent relative to the Notes, in respect of which he wishes to vote.

A Notcholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction [on a voting instruction form obtainable from the specified office of any of the Agents specified below) instructing an Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instruc-

Notes may be deposited until the time being 48 hours before the time appointed for bolding the Meeting (or, it applicable, any adjourned such Meeting) but not thereafter with any Agent or (so the satisfaction of the Fiscal Agent) held to the Fiscal Agent's order or under its control by Euro-clear or CEDELS.A., for the purpose of obtaining voting certificates or giving woting instructions in respect of the relevant. Meeting, Notes so deposited or held will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, being not less than 48 hours before the time for which the Meeting (or, if applicable, aoy adjourned such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

- voting instruction receipt(s) issued in respect thereof.
 2. The quorum required at the Meeting is one or more persons present holding Notes or voting certificates or being a proxy or proxies and holding or representing in the aggregate not less than a clear majority of the principal amount of the Notes for the time being outstanding. If within half an hour from the time appointed for the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Noteholders). The quorum required to consider the Extraordinary Resolution at such as adjourned Meeting will be rive or more persons present in person holding one or more Notes or voting certificates or being a proxy or proxies whatever the principal amount of the Notes so held or represented by them.
- or being a proxy of proxies whatever the principal amount of the Notes so held or represented by them. Every question submitted to the Meeting or the adjourned Maeting will be decided on a show of hands unless a poli is duly demanded by the Chairman of the Meeting or by one or more persons present in person and holding one or more Notes or voting certificates or being a proxy or proxies and holding or representing in the aggregate not less than one-liftleth part of the principal amount of the Notes them outstanding. On a show of hands every person who is present in perion and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each A5 1,000 in principal amount of the Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been carried or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolu-tion.
- 4. To be passed, the Extraordinary Resolution requires a majority to favour consisting of not less than three-fourths of the persons voting thereoo upon a show of bands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the votes given on such poll. If passed, the Extraordinary Resolution will be binding upon all the Notebolders, whether or not present at such Meeting and whether or not voting, and upon all Couponholders.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanatory Statisment, voting certificates and other documents referred to above may be obtained, by Noteholders from the specified office of any of the Agents given below.

FISCAL	AGENT AND PRINCIPAL PAYIN Otion Royal Bank Limited, 71 Queen Victoria Street, London, EC4V 4DE.	ig agent
	PAYING AGENTS	
The Royal Bank of Canada A.G. Gutleutstrasse 85, 6000 Frankfurt/Main 1.	The Royal Bank of Canada, (France) S.A., 3, rue Scribe, 75440 Paris.	The Royal Bank of Canada, (Beigium) S.A., rue de Ligne 1, B-1000 Brusseis,
Landesbank R Internativ <i>6 rue de l'An</i> - L-1144 Lui	heinland-Pialz The Royal onal S.A., (Gen Azbende, cue	Bank of Canada Suissē), Holday G, 4 Genera.

This Notice has been approved by Orion Royal Bank Limited, uber of The Securities Associat

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EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders (the "Noteholders") of the A\$ 40,000,000 14% per cent. Notes due 1990 (the "Notes") of Landesbank Rheinland-Plaiz - Girozentrale- (the "Bank") issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 6th March, 1987 made between the Bank and Banque Paribas (Luxembourg) S.A. as Fiscal Agent (the "Fiscal Agent") and others, as amended, hereby:-

- (1) assents to the modification of the Terms and Conditions of the Notes (as printed on the reverse thereof and to Schedule I to the Fiscal Agency Agreement) proposed to paragraph (b) of the Explanatory State-ment issued by the Bank and dated 19th September, 1988, a copy of which has been produced to this Meeting and initialied by the Chairman hereof for the purpose of identification;
- (2) stanctions every modification, abrogation, variation, compromise of, or arrangement in respect of, the rights of the Notesholders and the holders of the Coupons appentiating to the Notes against the Bank involved in, or resulting from, the modification referred to in paragraph (i) of this Resolution or any substitution of debtor made pursuant to, and in accordance with, the Terms and Conditions of the Notes as so modified; and
- (3) authorizes the execution of a Supplemental Fiscal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman hereof to give effect to the modification referred to in paragraph (1) of this Resolution".

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph (2) of "Voting and Curorum" below.

Copies of the Fiscal Agency Agreement (including the currently applicable Conditions) and of certain other relevant documents are available for inspection by Notebolders at the specified offices of the Agencs for the Notes specified below.

VOTING AND QUORUM

 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by an Agent relative to the Notes, in respect of which he wishes to vote.

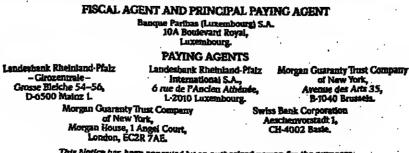
A Notcholder not wishing to stiend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Agents specified below) instructing an Agent to appoint a proxy to a trend and vote at the Meeting in accordance with his instruc-

Notes may be deposited until the time being 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) but not thereafter with any Agentor (to the satisfaction of the Fiscal Agent) held to the Fiscal Agent's order or under its control by Euro-clear or CEDELS.A., for the purpose of obtaining voting certificates or giving voting instructions in respect of the relevant Meeting. Notes so deposited or held will be relevant at the control so the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, being not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is convened, the voting instruction receip((s) issued in respect thereof.

- voting instruction receipt(s) issued in respect mereor. The quorum receipted at the Meeting is one or more persons present holding Notes or voting cartificates or being a proxy or proxies and holding or representing in the aggregate not less than a clear majority of the principal amount of the Notes for the time being outstanding. If within half an hour from the time appointed for the Meeting a quorum is not presentat the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Notebolders). The quorum required to consider the Extraordinary Resolution bissich an adjourned Meeting will be two or more persons present in person holding one or more Notes or voting certificates or being a proxy or prozles whatever the principal amount of the Notes so bed or represented by them. 2. The que
- 3. Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more porter notes or voting certificates or being a proxy or provides and holding or representing in the aggregate not less than one-filtieth part of the principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting certificates or being a proxy or provides and holding or representing in the aggregate not less than one-filtieth part of the principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate so produced or in respect of each AS 1,000 in principal amount of the Notes so produced or represented by the othing certificate so produced or in respect of which be its a proxy. On a show of hands every by the Chairman of the Meeting that a resolution has been carried or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- 4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the persons voting thereon upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the votes given on such poll. If passed, the Extraordinary Resolution will be blonding upon all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all Couponholders.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanatory Statement, voting certificates and other documents referred to above may be obtained, by Noteholders from the specified office of any of the Agents given below.



This Notice has been approved by an authorized person for the purposes of the Financial Services Act 1986.

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- 17

Stewart Fleming

advancing years, a travel and work schedule which a much younger man would have found daunting. He was forced to retire from the Federal Reserve in 1986 shortly after an operation for a brain tumour. Henry Wallich was born in Berlin in 1914, the son of zbanker. He emigrated to the US in 1935 and worked for Chemical Bank in New York while taking a master's degree in economics at New York University. His doctorate was received at Harvard before he

Reserve in 1941

FINANCIAL TIMES Published by the Financial Times (Europoi Ltd., Frankfurt Branch, repre-sented by E.Hago, Frankfurt/Main, and, as members of the Board of Direc-tors, F. Barlow, R.A.F. McClean, G.T.S. Damer; M.C. Gomman, D.E.P. Palmer, London, Printer, Frankfurt/ Scienters-Druckerci-GmbH, Frankfurt/ Main Rememble offerer G.D. Own Main Responsible editor: G.D. Owen, Financial Times, Brackea House, Can-non Street, London ECAP 48Y. • The Financial Times Ltd, 1988.

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In 1951 he was appointed an economics professor at Yale. In 1955 he published Mainsprings of the German Revival,



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OVERSEAS NEWS

Maputo seeks political, economic stability

Laying down tracks for economic independence

Jeremy Harding reports on the Limpopo railway

N A siding at the run down N A skilling at the rin down railway station of Mapai in southern Mozambique stands an old diesel locomotive pocked with bullet holes. But for all the shots it stopped, the worst damage to the engine occurred during a confronta-tion with an tritable male ele-phant, who stove a large hole phant who stove a large hole through its front with one of his tusks.

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That was several years ago. Such titanic confrontations on the Limpopo railway are of less concern to the engineers now rehabilitating the line than the pressing questions of project funding and adequate protec-tion from the Mozambique National Resistance, the anti-government insurgent group which operates within Mozambique with the aim of bringing down the Frelimo government.

The railway runs 530km through the Limpopo valley and joins the Mozambican capital Maputo to the Zimbabwean border. It has long been regarded by black-ruled states in southern Africa as a means to reduce their trade and transport dependency on South Africa.

The Limpopo line was one of three rail corridors through Mozambique which were car-marked for rehabilitation during the early 1980s, when MNR activity had put it out of

At the end of 1986, Britain provided £10m towards the Limpopo project - a figure which has since risen to around £14m.

At a donor's conference in Mapato last month, several countries made further pledges for the Limpopo project to a total of \$60m. Donor countries

total of \$60m. Donor countries included the US, Austria, Can-ada and Britain, which contin-ues to spearhead the project. Thew project is important to the economies of both Zim-babwe and Mozambique since the railway's features give it hetter potential for develop-ment than those of the line. ment than those of the line which runs across central Mozambique to the port of

Kira. The third line, the Beira rail-way, which also extends to the Zimbabwean border, is already open after a similar but less demanding rehabilitation proj-

By Roderick Orem in Texas"



south.

Maputo: A better natural port than Beira

ect. But its freight capacity is severely hampered by the lines' steep curves and, at one point, a big escarpment. The volume of traffic entersttacks on Zimbabween track personnel since they began working at the northern end of the project last year. Sabotage on the track is frequent further

ing and leaving the port of Beira are also drastically restricted by a shallow access channel and delays at the ter-minal itself, which averaged as much as 23 days for containers

much as 23 days for containers last November. A refurbished Limpopo line would have none of these dis-advantages. Maputo is a better natural port than Beira and freight there can be turned around more quickly. Further-more, the railway track runs over almost level ground and has only one bend. Project engineers recton that on track of this quality locomotives inf this quality locomotives could pull up to 12,500 gross tonnes per day in both direc-tions after a full rehabilitation. It is hoped that renewal of the line will be complete some time in the 1990s.

If now looks as though NRZ, which did the greater part of the Beira rehabilitation, will end up repeating the process on the Limpopo railway. NRZ time in the 1990s.

It is estimated that that this would constitute roughly 30-40 per cent of Zimbabwe's traffic on the Limpopo raiway. NRZ track crews are progressing south at a target rate of 20km a month, says Mr Joe Strachan, assistant general manager of Zimbabwe's railways, Mr Strachan hopes that the railway will open to limited commercial traffic in the antumn. However, even if secuneeds and save some \$20m a year overall on costs currently incurred by the country's use of South African ports and rail facilities. The railway would also cut the costs of exporting minerals for both Botswana and Zambia:

But the MNR still poses a regular threat to the railway's antumn. However, even if secu-rity problems can be eradi-cated and a further \$140m can staff and to the progress of rehabilitation, despite the pres-ence along the single track line be secured for priority repairs and the purchase of rolling stock, the railway will not be operating regularly until after 1991. of two companies of British-trained Mozambican troops. There, have been several

Weather junkies stalk the wind

South Arrican Government to respect the terms of a non-ag-gression pact with Mozambi-que, making it clear for the first time in public that it believes Pretoria has been vio-lating the treaty signed at the border town of Nkomati in 1984 The US has already charged South Africa with continuing to back the Renamo rebel movement in Mozambique desplié the treaty, but Britain has taken a more cautious The call, renewed at a press

Pretoria

to observe

peace pact

BRITAIN has called on the South African Government to

By Michael Hoiman

in Maputo.

onference yesterday, came in a speech by Sir Geoffrey Howe, the British Foreign Secretary, intended to reinforce Britain's hacking for black Southern African states' efforts to reduce trade and transport links with

South Africa. The speech, in which Sir Geoffrey announced a £30m grant to Mozambique, is also seen as a signal in Pretoria that Britain is anxious to see south. When the first project funds were made available, National Railways of Zimbabwe won a large contract for comprehen-sive track relaying at the northern end of the line. They completed the initial work in

that Britain is anxious to see positive results from the recent meeting between President P W Botha of South Africa and President Joaquim Chissano. Speaking at the start of his visit to Mozambique, the last stop on his fire-country Afri-can tour, Sir Geoffrey said apartheid cast a "dark shadow" over Southern Africa. In a passage which clearly implied that Britain believed Pretoria has breached the pact, Sir Geoffrey said: "For our part, we are doing all we can to urge the South African govern-May and have since pressed on south with track relaying and important maintenance work, basing 200 track personnel at Mapai, 80km inside Mozambi-Meanwhile, their Mozambican counterparts - who are supposed to be working up the line from Maputo - have been bogged down by security threats and delays in the repair of a cement sleeper factory urge the South African govern-ment to live up to the full spirit of the Nkomati accord, and to respect the sovereignty of its neighbours and the invio-lability of their frontiers."

MR Mikhail Gorbachev, the Soviet leader, has confirmed that despite an agricultural reform drive the 1988 grain harvest will fall short of last

By Quentin Peel in Moscow

harvest will fall short of last year's 211m tonnes. Hopes for a further improve-ment, sorely needed when food shortages have become a politi-cal test of perestroika, have been dashed by poor harvests in Siberia, Kazakhstan and along the Volga river basin, all affected by drought. Mr Gorhachev's admission came at the end of his week-long trin to central Siberia.

long trip to central Siberia, marked by criticism from the crowds at their living condi-tions - broadcast on Soviet television - and grim realism from Mr Gorbachev himself in

harvest, still 21m tonnes short of the target, was nonetheless considered a snccess dne largely to sheer hard work and improved labour productivity. "It is evident we will not be able to keep up to that level this year." Mr Gorbachev told his audience in Krasnoyarsk on Friday. Last week the US Department of Agriculture cut its forecast to 205m tonnes. urgiog hoth patience and greater involvement from the Soviet citizens. His twin themes on his first trip outside Moscow since his summer holiday have been the urgent need to improve social

Crisis cocoa pact talks fail

By David Blackwell

CRISIS talks at the International Cocoa Organisa-tion (ICCO) in London ended in the early hours of Saturday morning with delegates no nearer a solution to their pressing problems than they were two weeks ago.

The cocca agreement does not officially expire until the end of September 1990, but for all practical purposes it is already dead. Its economic clauses have been sidelinad and it is fast running out of

ary to try again to untangle differences between producer and consumer countries. Until then, the organisation remains powerless to intervene in the market

Its impotence dates back to last March, when the huffer stock (which aims to support conntries, some of whom depend on cocoa for up to 40 per cent of their fnreign earn-ings, are still unwilling to cut prices by huying surplus cocoa the support price, even though world prices have collapsed. from world markets) reached tha maximum permissible 250,000 tonnes. A row broke On Friday night cocoa prices in both London and New York closed at the lowest levels since early 1976. The latest ICCO indicator price stands at only SDR 971.60 a tonne.

Apart from the price row, delegates were unable to agree on any action over the rising reduced by 115 Special Drawamount of arrears in levies owed to the huffer stock. Pro-dncers should pay a \$30 a tonne levy on every tonne of cocca exported, hut the Ivory Coast, the world'a higgest accept a further cut. A special panel was set up to adjudicate, and just before the

exporter, owes \$48m and most latest talks it came out on the consumers' side. But producer other producers have now stopped paying.

Howe urges | Cut in Soviet harvest likely conditions - with food supply As important as the absolute ths most crucial element in amount of the crop will he improvements in quality, transportation and storage. that - and the need for ordinary people to get involved in economic and political reform. Mr Gorbachev gave a stern lecture to the party workers he Agricultural experts had not expected any dramatic transwas addressing, warning them against "basty conclusions" formation of Soviet agriculture

in the short term, because the major reform - encouraging groups and families to lease about a threat to perestroika, while admitting the slow economic progress. "Now is the most difficult period," he said. "The point at issue is revolution. The fate of socialism. Deeds are now land from the state farms and collectives to become indepen-dent producers - has nnly

been given top priority in recent months. Last year's 21im tonne grain harvest, still 21m tonnes short required, and in this we are starting to lag behind. We have all ultimately agreed on the policy of perestroika: we have agreed there is no alternative The Soviet authorities have

political forces and agents of production." Mr Carbonnetto said in the letter. made demonstrating punish-able by heavy fines and made organisers liable th labour camp terms. The unpublicised decree was adopted on July 29 Mr Carbonetto served as an economic adviser to Mr Garbut circulated only yesterday, Renter reports.

cia. His resignation followed drastic new anti-inflation mea-sures 10 days ago that doubled the prices of most foods and increased the cost of petrol by

Peruvian

economic

A KEY architect of Peruvian President Alan Garcia's unor-

thodox economic policies resigned amid mounting calls

for his onster, Reuter reports. Argeotine economist Mr Daniel Carbonetto's resigna-

tinn letter tn Mr Garcia, dated

last Thursday, was published by the state Andina news

cesses and mistakes in the period between 1985 and 1988, inhibits my positive contribu-

tion in the co-ordination of the

ageocy on Friday night. "My participation, in the good and the bad, in the suc-

adviser

resigns

nearly 400 per ceot. Conservative politicians had called for Mr Carbonetto to resign and for Peru to open negotiations to restore its borrowing privileges at the Inter-national Monetary Fund.

Brazilian package set for signing

SIGNING IS due to start on Thursday of a bank finance package for Brazil, Stephen

Fidler writes. Mr William Rhodes, chair-man of the 16-bank advisory committee for Brazil, said the package, which iocludes \$5.2bn in new loans and a rescheduling over 20 years of \$62hn of existing debt, was on schedule for the first dishursement to take place as planned next month. Brazil also made a \$64m payment, hringing it current on interest np until September 9.

Advertisement

Finland in the EC supermarket

Valmet Group:

High flyer rooted firmly in machinery and automation

By Victor Thome, Helsinki

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instrumentation,

from tractors and trans-

One of the world leaders in the manufacture of pulp and paper machinery, global number one in niche market items like straddle carriers, Finland's Valmet Group has achieved renown for its practice of the art of



money. Delegates have agreed to hold another meeting in Janu-

out hetween the consumers and producers over the level of prices which they should be defending. Consumers were arguing then that under the rules the support price range should have been automatically

ing Rights (\$150) to between SDR 1,370 and SDR 2,040 a tonne. Producers refused to

power of Hurricane Gilbert

s is a git field 🐳 "Pfffist," went the Bud-weiser can. "Hell, we ain't leavin" 'til we're outa beer" declared its drinker. A local man, he and a truckload of friends had driven out 20 miles from Brownsville to check some cattle one of them owned. Lucky cows, they stood on dry land a few miles back down the road. Their owner was up to his ankles in the Atlantic.

Atlantic. The pounding occan proper was three niles ahead but the storm had flooded the inter-vening land. Only a knob of high ground, a Polish community called Kopernick Shore, remained out there.

"Hurricanes are the only

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WHERE Texas Route Four thing on this planet I respect his pickup truck and driven dived beneath stormy Atlantic spart from my family and a waters, an exuberant group of few friends, said David rain-sodden, wind-blasted peo-ple revelled in the elementst cagerly tracked Gilbert's sev hoc Texas reception committee the slip, pounding instead a swathe of Mexico some 100

en-day path across the Carib-bean and Gulf. A sucker for maelstroms, he while of mexico some los miles south of Brownsville. Though appalled by the death and dastruction it had wreaked all week long, the hurricane chasers said they A sucker for maelstroms, he thought he might try the actor's life in New York next. Standing skinny in a swim-suit knee deep in brown water and leaning backwards into the 65mph wind, Ryan Tilley shouted from the wave tops about his true love: "Id like-mothing better than to be in Oklahows and catch an F-5 were drawn by its awesome power. They were not disap-pointed by the wind and rain even at that distance. Oklahoma and catch an F-5

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tornado!"

The metcorologists admitted they had been hooked on vio-lent weather since their child-hoods. Frolicking with the oth-A harricane junkle, he and ers where the water claimed the road, they unabashedly acted out an instinctive photwo fellow meteorologists, Betsy Abrams and Matt Crowther, had raced down from Atlanta to rendervous nomenon known to farmers, teachers and rescue workers. When the winds howl, animals with Gilbert. Bob Wright, a tree surgeon from Biloxi, Miss-issippi, had thrown a suitcase frisk, children fidget and adults party. and chain saw in the back of

1.20.0

egender

1.12

synergy between largely independent subsidiaries - and profiting from the results.

and

Valmet companies are Draken fighter for the involved in making a nation's defence. variety of sophisticated Valmet's Between

technological products major business sectors, from air trainers to and linking them, is the and linking them, is the automation factor. The expansion of the

portation equipment to automation, loggers and group's automation side, which resulted in the forest harvesters. Valmet's flagship formation nf a separate Valmet Automation subindustry is the production of bighly advanced machinery for the pulp sidiary on 1st September, was originally as an adjunct to its pulp and paper machinery manu-facturing activities, with a healthy overspill into the realms of energy and paper manufacturing sector. This accounts far as much as 45-50% of its turnover, which is reason enough to commit extensive financial and generation, chemicals processing and marine human resources into automation.

As this sector developed its technology and gained valuable research and development aimed at staying ahead of Industrial vehicles, including transportation experience in applying it, forging undeniable skills equipment, road tractor in marrylog electronics and mechanical engineerunits and agricultural and forestry vehicles, ing at the earliest stages of manufacture, so did its mechatronics knnw-how Valmet's second largest sector, and growing, with some 35% find wider applications in-house and elsewbere. Today, automatinn is

The group's more specialist activities in-clude the assembly of and regarded within Valmet as an area of growth manufacture o components for Saab cars, 85% of which are exported

from Finland through Saab-Scania. It is also involved in custom-made marine construction through the group's 30% holding in renowned shipbuilder Wärtsilä.

Another lofty specialist activity is the design and building of however, the company's aircraft of the likes of the harnessing of the fruits of Redigo trainer for the its R&D in automation to Finnish Air Force, along practical use opens up a with the assembly of British Aerospace Hawk prospects. jet trainers and the



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the supplier's service capability. Armed with its applied electronics, Valmet is in a position to monitor machine performance in operation, around the clock, and to offer customers specialist onsite repair and servicing facilities. This is already seen as

and the states

growth area in the Nordic countries - with demand spreading into continental Europe as skilla.

> mation agen as the key to Λſ opening up new vistas that the group is actively nn the look-out fir opportunities to invest in acquisitinna or jnint ventures that will help spread the load of the bigb cost of R&D expenditure required to stay in the forefront of technology by the European Community swelling the volume nf market.

> strategy right now, with Says Valmet's President and CEO, Matti Kankaanpää: "A combi-nation of forces in the more and more integrated field of automation could with continental Europe be very important for our on the industrial side future. It could be a including an increase in Finnish company or any our capacity other with an approach that's compatible with Twelve.

> ours. "In this respect, we've been very active in Nnrth internationally through America, where we have acquisition, where senmade some good acquisible, joint ventures and other forms of strategic sitions. But automation is another sector in which alliancea. we have to turn our

interest increasingly to Western Europe." kind." While its operating

units are spread as far afield as Brazil and the integration, we'll defi- structure."

The company struc-

ture has been formulated with this factor in mind."

A 99.7% state-owned concern until this year, an issue of shares in August increased Valmet's capitalisation by almost \$33 million and reduced the Finnish gavernment's holding to 79.77%. The trend is for an even greater measure of private numership, step by step to 60% and possibly less, with the state's

blessing. The Finnish govern-ment has realised that the significant expansion and development plans nf atate-owned companies like Valmet founder on their dependence nn budgetary funding. Given limitations, auch Finland's Valmets find themselvea at a dis-advantage in terma nf capitalisation in relation to the private sector.

For the Valmet Group, raising finance from its own resources, with the advantage of basing its funding on the value of the group, is the opening it has been waiting for to move forward according to plan, the And considering its ambitions for further Valmet'a approach is internationalisation, a to huild up its operations move into the foreign capital market would be

the logical next step. Matti Kankaanpää comments: "One thing is sure: that by 1992 wc'll "We already have a have seen some few arrangements of this interesting developments Kankaanpää in the company's interpoints out. "But when we nationalisation, as well as think ahead to European in Valmet's ownership

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potential, particularly in the pulp and paper processing sector of the

business. Across the board.

vast area of attractive

Valmet is finding that

1.000 end-users of its United States, Canada nitely be seeing an inproducts and systems are and Japan, Australia and

products and systems are and Japan, Australia and creasing number of becoming more and more Hong Kong, Tanzania and different types of co-concerned with the throughout the Nordic operative ventures. countries, Valmet is by no means a stranger to continental Europe.

The group operates production plants and marketing units in Britain, Italy, France, West Germany, the West Germany, the Netherlands and Austria, and the plans are for

deeper penetration of the EC markets. 1992 will not find Valmet

unprepared "We began our process internationalisation in the Nordic countries," Kankaanpää relates. "Our next step took ua into Nnrth America, led by the type of products we make and the big market potential there. But the

"We're building an EC

manufacturing

within

Valmet develops its servicing network and

emphasis nnw must be nn

Caution in

Asia on

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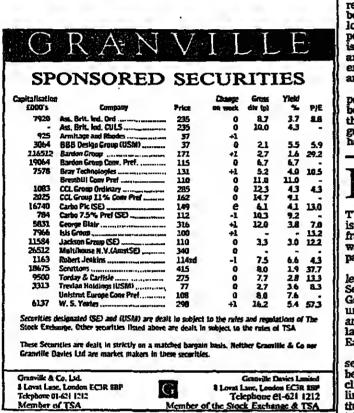
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19th September 1988



OVERSEAS NEWS

Burma's revolution at a turning point

Roger Matthews on the implications of the military takeover in Rangoon

THE seizure of power in HE service of power in Burma yesterday by Gen Saw Maung, the Defence Minister and Army chief of staff, marks the end of the first and proba-bly most peaceful phase of the munity's muchties country's revolution. The Government of the Burma Socialist Programme party, which has ruled the country for the past 26 years, had already collapsed. It had lost control over events outside the capital Rangoon. Most cities, including Mandalay, which is the second largest, are

being run by ad hoc commit-tees comprised mainly of Bud-dhist monks and students. In Rangoon the situation is little better. The police force has disintegrated, most civil servants have been on strike

for over a month, the banks have shut indefinitely and a crisis point is approaching for supplies of rice, drinking water and petrol. But as has been seen in

limited bloodshed. Apart from isolated incidents, the demonthree other revolutions in the past 15 years - Portugal, Iran and the Philippines - the manner and timing of a strators have pressed their point through numbers, not by force. Although the military force. Although the military may have killed upwards of a 1,000 people, especially during early August, they are not yet perceived as a bloody instru-ment of repression. If Gen Ne Win had agreed yesterday to leave Burma and take with him 60-70 of his clos-est political associates most regime's departure has a vital bearing on what follows. The longer a regime clings to power, the greater the radical-isation of the opposing forces and the higher the risk of

enduring divisions emerging among the armed forces. Burma reached that turning est polifical associates, most western diplomats in Rangoon point yesterday. So far as can be assessed, the revolution at believed there would have been a fair chance of a peaceful transition to an interim govthis moment appears to be a genuinely popular uprising. It has also been a revolution with ernment which would initially

enjoy considerable popular support. The problems, eco-nomically and politically, for that government would be massive but at least it should have been sble to enjoy an embodie wible wood emphoric public mood.

> experience and is therefore close to being incomprehensi-ble. "He has retreated, step by

He has made tactical with-drawals. But he has not yet faced up to the fact that he has faced up to the fact that he has lost," a diplomat said yester-day. "All that is preventing him from being finally toppled is the army. He must know that and the demonstrators assuredly do." It is that unpredictable and highly dengerous conferming.

highly dangerous confronta-tion that the opposition leaders so far thrown up by the revolution are trying so desperately to avoid. Throughout last week they tried to open lines of com-munication with Gen Ne Win to negotiate a formal handover of power. However, the regime continued to equivocate, sug-gesting ultimately a power-sharing agreement whereby its own nominee would form part of a provisional government. The concessions offered by Gen Ne Win may have been no more than a political ploy

designed to identify more pre-cisely the key opposition lead-ers. The four most prominent, who may now be dangerously exposed, are: • U Nu, the last elected

prime minister of Burma, who jumped the gun 10 days ago by initiaterally announcing he had formed a provisional gov-ernment and was "joyfully tak-ing back the power that Ne Win robbed me of in 1962." Within a few days he was forced to recant.

• Former Brig Gen Aung Gyl, whose open letters critici-sing the regime earlier this year were one of the revolu-tion's catalysts.



Soviet leader, have been greeted with silence in Europe, hostility in the US but cautious · Gen Tinu, former chief of hostility in the US but cautions welcome in Asia. The best response for Mr Gorbachev was from China. Li Peng, the Chinese Premier, said the first Sino-Soviet sum-mit since 1960 could be held, provided lower-level discus-sions on subjects such as the Kampuchean conflict cleared the way without difficulty. Mr Li said improved rela-tions with Moscow were in the interests of China and world peace and would not threaten. staff, who was sacked and then imprisoned in 1976 for involvement in an attempted coup

against Gen Ne Win. His cur-rent popularity equals that of Aung San Sun Kyl. Anny San Sun Kyl These four have been seen as "moderates", with varying degrees of personal political ambition, who have articulated and provided a focus for the demands of the masses.

While they have been urging restraint, the more radical stu-dents and Buddhist monts dents and Buddhitt monrs have been arguing for some days in favour of a showdown with the military as the only sure way of removing Gen Ne Win. They propose marching on the parliament building, the radio and television stations

radio and television stations and daring the troops to open fire. Ordinary soldiers, they believe, will not shoot their thiends and family. But if that assessment is wrong it could be calamitous for Burma, ushering in vio-lence and violent men as the main arbiters of political main arbiters of political change. The announcement by Gen Saw Manng last night that he intended to impose law and order may put it to the fest more quickly than most people expected.



Mr Marlin Fitzwater, the Mr Marlin Fitzwater, the White House spokesman, rejected Mr Gorbachev's offer to turn a controversial Siber-ian radar facility, which the US says is a violation of the 1972 Anti Ballistic Missile Treaty, into an international centre for the peaceful study of space. "To turn it into a space station or a divect movie theate or or a drive in movie theatre or anything else simply does not -respond to the need to disman-tle what is a violation of the

treaty," he said. Similarly, the idea that the Soviets would pull out of the naval base at Cam Ranh Bay in Vietnam if the US scraps its

naval base af Cam Rann Bay in Vietnam if the US scrups its bases in the Philippines was scorned by Mr Fitzwater. "At inst glance it doesn't appear to be a reasonable approach and I wand say that we're some-what pessimistic about it." he said, adding that it would be studied further. However, the US is fraving troable negotiating terms for its shington analyst said Mr Gorbachev's offer would save as a reasonable approach and I wand say that we're some-what pessimistic about it." he said, adding that it would be studied further. However, the US is fraving troable negotiating terms for its shington analyst said Mr Gorbachev's offer would save as a reasonable approach and in wand say that we're some-what pessimistic about it." he said, adding that it would be studied further. However, the US is fraving troable negotiating terms for its shington analyst said Mr Gorbachev's offer would save as a reasonable approach and in washington analyst said for the sorts are soccer, base bail, colleybals and table to ins gentifiting and judo These three aports yielded them 15 of their 19 medals in Los Angeles four years ago

At opposing poles of popularity: Amg San Suu Kyi, left, and Burma's former leader Gen Ne Win

However, Gen Ne Win, who has ruled supreme for 26 years, is finding, like the Shah of Iran and President Ferdinand Marcos of the Philippines, that acceptance of defeat is not something of which he has any

step. He has made concer

Kim packs a nation's passion in his punch

TYEYEN-OIDOV Tserennyam he has the strength, when roused, to knock his way is an Olympic flyweight boxer from Mongolia who last night was regreiting two extremely through concrete, and epit-omises the fanatical dedication painful errors. which the South Koreans His first mistake was to feared. The host country are

Has 3,900

leave Mongolia and journey to Seoul, where the 1968 Olympic Games opened at the weekend under clear blue skies and has toiled for seven years pre-paring for these Games, and as immediate repayment is hop-ing for a decent haul of medals - preferably gold, though silamid passionate pleas for ever-lasting friendship between East and West.

ver will also do. The Koreans are also hoping The Mongolian flyweight's that the Games come to be seen as the "Peace Games". second error occurred just before noon yesterday when he ending 20 years of misery for the Olympics, and that they help nudge South Korea onto the threshold of the developed climbed into the ring for a preliminary bout against one of the host country's most films-trious gold medal hopes - a world.

Little of this, I fear, had been communicated to the Mongo-lian, who looked innocently ferocious fighting man named Kwang Sun Kim Kim may be a flyweight but

unconcerned es Kim, in striped blue trunks and vest and wear-ing a red headgnard, climbed ; into the ring after him. In the first round, the Mon-

golian had the temerity to move in with a jab that grazed Kim's cheek. The retailation was instantaneous and awful to behold. The Mongolian took a beating.

It was worse in the second round. Kim raised his tempo and clubbed with both hands. Appailing blows fell; and the referee stopped the contest following two standing counts. To tumultuous applause, Kim bowed to the referee,

howed to his opponent's cor-ner, acknowledged his dazed rival, and stepped calnly from the ring. On his way to the exit

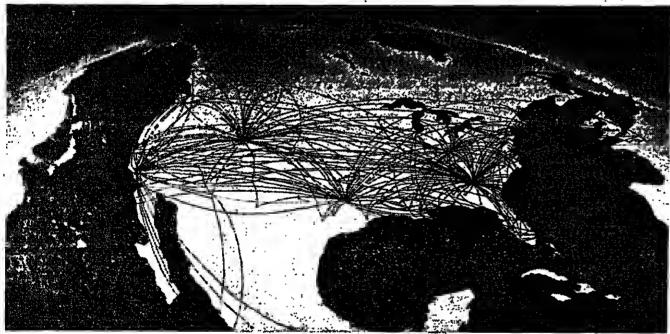
he passed five feet in front of me. Despite the ferocity of the assault, he wore not the slightest sheen of sweat. His eyes shone like ice. He was a man on a mission. How the crowd

cheered. Four years ago, at the Los Angeles Olympics, which were affected by an Eastern bloc boycott, the Koreans won 19 medals, including six golds. But these Games are different. Almost all the world is here, and the competition for medals in 28 official sports will prove frightening in its intensity.

As a result, the Korean Olympic team has been trained with an enthusiasin bordering on minia, and with a dedication to military style routines and extraordinary physical and mental fitness that is exceeded in its thoroughness - if it is exceeded at all - only in the highest exclusions of Eastern. At the Koreans Taenung

training centre on the out-skirts of Secul, the pre-Games

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training started at dawn and lasted until 10 pm. According to a slogan at Taenung: "The way to the top is the way of hardship and difficulty. At the same time, it is the way to glory. It is the way of falling down seven times and rising up eight times. It is also the proudest way to victory." started at dawn and

Ball games were even banned in Korea in 1942

One of the things that drives the Koreans, apart from natu-ral pugnacity, is their wish to

nake up for lost time. It was not until the 1932 Olympics in Los Angeles that Koreans started to participate in inter-national sport. Three Koreans competed in the Los Angeles Olympics in the Los Angeles Olympics in 1932, and three more in the Berlin Games in 1936 – carry-ing off the gold and bronze medal in the Berlin marathon.

medal in the Berlin marathon. But they were obliged by their then masters to compete as members of the Japanese team, which is why the record book shows the Berlin marathon being won by a Japanese ath-lete and not by a Korean. In 1942 the Japanese even banned ball games in Korea, on which note Korean sport entered a lengthy period of stagnation. Having won a gold medal in Berlin in 1936, Korea

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NIPPON CHEMI-CON CORPORATION

made to the shareholders of re Sist March, 1988, Tokyo time. As a result of such distribu

Dated: September 19, 1988

and ment of Conversion Price

Los Angeles four years ago. The Koreans are also an emerging force in hockey. Yes-terday, after the boring, I trav-elled to Songnam Stadium, where the Korean hockey team where the Korean hockey team pulled off the not inconsider-able feat of drawing 2-2 with Britain, who are - or were -tipped for a hockey medal. Britain looked strong, fit and well-drilled, as well they might, but the Koreans repeat-edly surprised them with connection chickwork and bril

aggressive stickwork and brilliant power bursts After the game, while British reporters clustered round the British team, hoping for quotes, I clustered round the: Korean team, it was estremely hard work. Though I gathered that the Koreans were pleased with their performance.

with their performance. We did a remarkable amount of bowing. We bowed to the coach. We bowed to the trainer. We bowed to the man with the towels and cold water. We bowed to numerons Korean dignitaries, I think we said a prayer. And I am reasonably convinced that we agreed that although we had played with bravery and great skill, humil-ity was still in order. Finally, we shook hands

Finally, we shock hands manfally and assured one another that if we fell down rise up eight times, for in doing so we would discover the true path to victory and glory.

pines." President Corason Aquino of the Philippines said the Soviet offer on the bases was a ques-tion only the two superpowers could resolve. But others in the country, were more forthcom-ing. Senator Leticia Shahani, chairman of the Senate For-eign Relations Committee, said the proposal was a step towards reducing foreign mili-tary presence in the region. "There is a movement. We must see how that will affect the security in the Asia-Pacific region," she said. A Manila newspaper published by Mrs-Aquino's speechwriter caid that while the idea might sim-ply be a ploy to embarrass the US "the opportunity for reduc-ing enperpower tension in Asia-Pacific on a far wider scale and greater magnitude has nonetheless been created." Japan rejected Mr Gorba-chev'a claim that it was increasing its military poten-tial at the behest of the US. "We regret that Soviet under-standing of Japan's defence capability and defence policy is not sufficient," said a Foreign Ministry official. However, Mr Nobora Takeshita, the Japa-nese Prime Minister, said he welcomed Mr Gorbachev's desire to improve ties with Japan. Vietnam said Mr Gorba-

Japan. Vietnam said Mr Gorbachev's plan was a new Soviet contribution to the cause of peace in the Asia-Pacific

Notice to the holders of

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1. On 12th September, 1988, the Board of Directors of Cosmo Securities Co., Ltd. (the "Company") resolved to make an issue of new Shares of Common Stock of the Company by way of free distribution to Shareholders of record as of 30th September 1988 (Japan time) at the rate of 0.04 new share per one share

2. As a result of such issue, the Subscription Price relating to the Warrants will be adjusted in accordance with Clause 3 of the Instrument, effective as of 1st October, 1988, Japan time. The Subscription Price in effect prior to such adjustment is Yen 2,438.80 and the adjusted Subscription Price will be Yen 2,345. Cosmo Securities Co., Ltd.

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OVERSEAS NEWS

The evasive goal of company tax harmony

Differing rates would be exaggerated by a free market, writes Richard Waters does not yet, and may hever,

HE European Commission is making little headway on a tax initiative which is assuming increas-ing importance as Europe's free internal market draws near: the attempt to smooth away differences between taxes on companies in different member states.

The importance of bringing VAT rates into line is insignifi-cant by comparison. Differing VAT rates do little to distort economic competition. Unlike corporation tax, VAT is applied in the country of sale, not the country of production. This means that there are no advantages for companies basing themselves in low-VAT areas: the tax is borne by the final consumers at the rate in force

in their own country. The main distortion caused by differing VAT rates is the encouragement they give shop-pers to cross borders. A Dutchman travelling to Luxenbourg to buy his groceries, for instance, saves 8 per cent on the standard rate of VAT. But such distortions occur only in frontier zones where substan-frontier zones where substan-tial tax differences exist. Would a German make the same trip into Luxembourg for a tax saving of 2 per cent?

Differing corporation tax systems and rates, on the other hand, drastically alter economic life by affecting the loca-tion of business activity and the flow of capital.

The free internal market will exaggerate this. At tha moment a company based in one European country which distributes and sells its prod-ucts in another is likely to establish a base in the country of sale. A proportion of its profits will then be taxed in that country. A free market reduces the need for such outposts: in

theory, it will be easier for a reasons. Accelerated deprecia-company to sell across the con-tinent from a centralised mar-investment, would be outcompany to sell across the con-tinent from a centralised mar-keting and distribution point. The country of sale then gets none of the tax benefit. Also, the location of the central mar-

keting team is likely to depend in part on tar rates. Earlier this year the Com-mission embarked on its first concerted effort at standardising taxes on companies. It pro-duced for limited circulation, a preliminary draft proposal for a directive which would har-

monise the way all European

EUROPEAN

MARKET

companies calculated their tax-able profits.

The Commission's previous

lawed.

The depreciation proposals also provide for companies to write off goodwill against tar over a five-year period. This would have a big impact on acquisitive service companies, which often pay far in excess of book values for control of other companies. Such pay-ments would in effect be taxdeductible

One big effect of all this would be the outlawing of tax-based subsidies. Schemes such as those in operation in Ireland (to attract manufacturers) and Belgium (to draw in "co-ordina-tion centres", or regional head offices) would disappear.

T he proposals already bear the mark of com-promise. Cross-border mergers are currently ham-pered by the capital gains tax, charge that arises when two companies unite. The proposals do nothing to alleviate this.

Member states would retain the right to tax assets which move abroad — as the UK enacted in this year's Finance Act. As a concession, the tax would not be payable immedi-ately but could be spread over the life of the asset. Nevertheless, this makes a nonsense of the sort of structural changes that economies of scale are meant to stimulate in the European market According to ome tax expert: "It would remain financially prohibitive to restructure."

to fall (see table). The Commission is unlikely to be able to act on any of The tax base proposals are already understood to have come under considerable attack. An official at the Com-mission says they will not be these issues until there is agreement among taxpayers that change is needed. That

withdrawn, but that they will be substantially amended in the light of comments received from governments and professhmal bodies. There is no date yet planned for the publication of a revised set of proposals. of a revised set of proposals. The tax base is only part of the story. Bringing tax rates into line presents far greater difficulties. If the European Commission is unable to per-stade member states to adopt two bands of VAT for different classes of goods, what chance is there of a standard rate of corporation tax? The Commis-

Corporation tax rates In EC member states

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sion has proposed in the past

that tax rates should be between 45 and 55 per cent. This now looks out of date: tax

rates across the continent have either fallen already or are set

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exist. Companies are only too aware of what they have to lose: UK and Irish taxpayers, for instance, are unlikely to want a harmonised capital gains tax system which would abolish indexation relief on gains - something unique in the EC.

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To an extent, the Commis-sion can afford to sit back and wait. Competition between countries will force their tax regimes more into line, as the regimes more into fine, as the Netherlands and Germany are aware: both plan lower corpo-rate taxes, and cite competition with other states as one of the reasons. Most countries already fall within a band of 35-45 per cent.

The Commission can also console itself with the thought that tax considerations are not usually at the top of the list of priorities when companies make commercial decisions. The restructuring of European industry which is currently being projected is not tax-driven - though some compa-nies may be held back by pro-hibitive tax rules.

The corporation tax debate foreshadows an even bigger battle: the attempt to bring personal taxes into line. For the people-intensive parts of companies, as well as for the people themselves, these can be vital. Most companies make sure that employees working abroad receive the same aftertax pay as at home, and so themselves meet the extra cost in a high-tax country. Some US hanks reckoned that before tax cuts in the UK this year it cost three times as much to employ one of their executives in Lon-don as it did in the US.

Bonn ministry agrees Airbus funding revision

By David Marsh in Bonn

THE WEST German Finance Ministry has agreed the basic outline of a plan to restructure Bonn's funding of the Airbus project. The package aims to cushian West Getmany's aero-space industry against present and potential losses from dol-lar weakness.

Details have not been settled but the preliminary accord brings a step nearer to fruition the long-running talks about-

Airbus. The other partners are France, Britsin and Spain. The basic financing plan foresees the following elements:

1990s. Government funding for these three Airbus airliner types has been based on an

assumption of a dollar rate of

· The Government will pay an extra DM1.7bn to cover outstanding financial burdens councected with funding the older A-300, A-310 and A-320 atriners. This will help cover losses caused by the falling.

es to be made u

At stake is a draft directive, subject to member states' approval, that would obliga-card issuers to take full liabil-ity for losses when cards are lost or stolen through no fault of their comment dollar on existing orders of these airliners, including delivof their owners.

lobbyists.

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li adopted it

ers on Wednesday to decide Brussels' line on cardholder

opposition from the UK, the Netherlands and possibly France, which feel this is no matter for legislation. Den-

By William Dawkine in Brussels EUROPEAN Commission mark is the only EC member advisers are due to decide today whether to recommend with specific laws on plastic card bolders' rights. shelving draft plans for com-mon standards for the protec-tion of the EC's som credit card

EC card rules decision today

The plan aims to iron out, wide national differences in the amount of protection given holders. The plans have been fiercely criticised by banking to cardholders against unan-thorised use of their accounts. This varies from the extensive liabilities assumed by UK card They will attempt to heal divisions within the EC enecu-tive to pave the way for a meeting of the 17 Commissionissuers at one extreme, to Bel-gium at the other, where some card companies insist on tak-

have been an even tougher

option, because it would have taken direct legal effect if agreed by member states.

WEST GERMANY

Monday, 31st October 1988

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on Frankfurt (069) 75980

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Darren Dodd

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caru companies mass on tak-ing out guarantees on custom-ers' personal property. The plan's supporters argue that the measure will work only if made binding in the form of a directive, which has to be transformed into member, states' national law; itself a stare form an earlier step down from an earlier attempt to launch the scheme

. That would

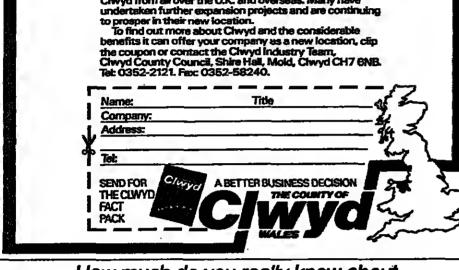
But a strong body of opinion in the Commission wants to present the plan as a mere recommendation, which has no legal force, on the grounds that anything stronger would get nowhere. The options for the meeting on Wednesday are for the draft directive to be watered down, turned into a

recommendation, or shelved. The Banking Federation of the EC has lobbled hard against such binding rules on the grounds that they would stifle innovation in a payment suite industrial in a payment systems industry that is under-going fast technological change. A code of conduct recommendation would be more adaptable to new products and practices, it argues.

The grant s

customers should not be liable for losses so long as they take reasonable steps to look after

their cards.



The success of the County of Clwyd, in rebuilding its economic base, is fast becoming legendary. An amazing transformation has taken place during the 1980's, with Clwyd clearly emerging as one of the prime U.K. locations for company investment and expansion. In the last six years new companies have located in Clearly emerging user the U.K. and the prime there were the located in

Chwyd from all over the U.K. and overseas. Many have

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efforts at harmonising corpora-tion tax, dating back to 1969, have been piecemeal. Proposed directives have picked out par-ticular issues, such as the tax treatment of mergers, without presenting any coherent strat-egy for tackling tax systems as a whole. Only one, on mutual assistance between tax authorities to stamp out tax evasion, has actually appeared as a

directive. The lastest draft goes much further, and would have a far-reaching impact on the tax bills of all European compa-nies. What is most significant is that assets would have to be depreciated for tax purposes in the same way that they are written down for accounting

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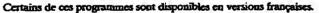
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FINANCIAL TIMES

Daimler-Benz, the motor and engineering conglomerate, taking management control of Messerschmitt-Bölkow-Blohm (MBB), the country's main erospace group.

The acquisition of a 30 per cent stake in MBB could take effect in the new year.

Following talks last Wednes-

day between Mr Gerhard Stol-tenberg, West German Finance Minister, and Mr Edzard Reu-ter, chairman of Daimler-Benz, officials hope details can be cleared up by mid-October. This would allow the extra

Airbus funding proposals to be included in parliamentary deliberations on the 1989 bud-

deliberations on the 1989 bud-get, due to take place in November and December. The exact cost of the support package will depend on the outcome of further bargaining between Daimler and the Gov-ernment, as well as on future fluctuations of the dollar, the currency of international air-liner deals. liner deals.

financial

Overall, however, the pro-spective deal is likely to pro-vide for exchange rate guaran-tees and other payments which could raise Bonn's budgetary support for the Airbus venture by an extra amount of up to DM4bn or DM5bn over the next

This is in addition to the latest government package of DM4.9m in grants for Airbus, agreed by Bonn in June last year, including development funds for the new A-330 and

A 340 airliners. MBB is the German partner in tha four-country Airbus Industrie consortium, holding 37.9 per cent through its wholly-owned subsidiary Deutsche

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DM2. The dollar having lately fluctuated near DML85, recent airliner sales receipts have pro-duced a large D-Mark shortfall. The Government will under-take to take over part of poten-DML8. The financing peckage, linked with the Daimler-MBB takover, is bound to spark domestic controversy because the deal will produce a con-

tial exchange rate losses stem-ming from future Airbus sales running into the 1990s, including those of the new A-330 and A-340 types. Development finance for these new aircraft was approved last year on the basis of an exchange rate of The proportion of exchange rate risks to be assumed by the Government has not yet been agreed. Bonn is asking Daimler to take over all of any losses below a cut-off point of DML7 but Daimler is insisting that the cut-off should be DML6. • The Bonn government will take a 20 per cent stake in the new holding company which will own Daimler-MBB's 37.9 will own Daimier-MBB's 37.9 per cent share in Airbus Indus-trie. The government's stake will be taken by Kreditanstali für Wiederaufbau (KfW), the public sector finance agency. Mr Stoltenberg wants Daimler to undertake to buy back the 20 per cent KIW stake by 1995 or 1996 - a condition which Mr Reuter has not yet agreed.

The Financial Times proposes to publish a Survey on the above on For a full editorial synopsis and advertisement details, please contact: Financial Times (Germany Advertising) Ltd. Telex: 416193 Fax: Frankfurt (069) 722677 on London (01) 248-8000 ext 3472

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WORLD ECONOMIC INDICATORS UNEMPLOYMENT

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TUBOS DE ACERO DÉ MEXICO, S. A. (TAMSA), Mexico's leading producer of seamless steel pipe, on September 12, reached agreement with the members of its Creditors Advisory Committee on the principal terms and conditions of a proposed restructuring of the Company's indebtadness. The restructuring remains subject to the approval of the Company's other lending institutions, several governmental regulatory agencies, TAMSA's shareholders, and the execution of final documentation. When completed, the restructuring will reduce TAMSA's current dollar denominated debt and peso denominated debt by approximately 60%. This reduction will be accomplished either by redeeming at a discount or by converting a portion of the outstanding principal and interest into comply in TAMSA. Remaining indebtedness would be repayable under a long term credit facility.

TAMSA incurred the indebtedness presently being restructured from 1979 to 1986 to finance the expansion and renovation of its facilities. This expansion is now completed, improving the Company's international competitive position.

Tubos de Acero de México, S.A.

México, D.F.

September 13, 1988

UK NEWS

Reed, Elsevier came close Brittan to merger earlier in year By David Waller in London and Laura Raun in Amsterdam

ELSEVIER, the Datch to maintaining Pearson's inde-publishing group which last pendence and considers that week announced a strategic link-up with Pearson, came to be excellent. publishing group which last week announced a strategic link-up with Pearson, came close to merging with Reed International, the British-based publishing concern, in Febru-ary this year, it emerged yesterday:

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Earlier this month, Reed also approached Pearson, the diver-sified UK company which publishes the Financial Times. However, Pearson yesterday played down the significance of talks which it confirmed had taken place between Lord Blak-enham, the Pearson chairman, and Mr Peter Davis, Reed's chief executive.

According to yesterday's statement from Pearson, "the meeting consisted of exploratory general conversations only in which a number of outline possibilities were raised by Mr Davis. No specific propos-als, formal or informal, were made. -

"Accordingly, the board of Pearson has not considered any proposal from Reed, and furthermore, has never considered or sought a defensive merger. The Board has been and remains fully committed Pearson said it had issued its

statement in response to press comment that it had rejected an approach from Reed.

Mr Davis said he was surprised by the defensive tone of Pearson's statement, adding: "I'm more surprised that my friendly approach was appar-ently not considered by the Pearson Board until the deal that it could exercise sufficient with Elsevier was done. control over Elsevier. "Our board was not prepared "We have never concealed

our interest in Pearson. We think that an association with Pearson would make good com-mercial sense and create an unbeatable, world-class pub-lishing group."

Earlier Pearson had con-firmed that Mr Davis had met Lord Blakenham at Reed's request.

Mr Davis said that his first meeting with Lord Blakenham had taken place on September 2. A week later he had phoned the Pearson chairman seeking and Reed nearly merged in February but "one of the part-ners did not show up at the a response to his proposals. altar."

Biggest union backs

Kinnock-Hattersley

Mr Vinken said Pearson was fully-informed of the near-mar-He said Lord Blakenham had arranged a second meeting for the afternoon of Wednesday, riage with Reed.

By Charles Leadbeater, Labour Correspondent

choice of September 14. On that day, Pearson announced details of the link-up with Elsevier involving an exchange of shares and the possibility of an By Tim Dickson in eventual merger. Negotiations between Reed Brussels

and Elsevier, dating back to the summer of 1987, nearly cul-MR LEON Brittan, the former UK Trade and Industry Secre-tary who takes over from Lord Cockfield as Britain's senior minated in a merger in Febru-ary this year. Mr Davis said that the transaction was aban-doned at the last minute at the Commissioner in Brussels next January, has controversially ignored Government advice in choosing his senior adviser. UK company's initiative, because Reed was not satisfied

Like previous Commission-ers-in-waiting Mr Brittan was furnished by the Foreign and Commonwealth Office and the Cabinet Office with a list of those considered as suitable candidates for the post of chef de cabinet – a key appoint-ment in Brussels. EC Commissioners are

breaks

mould with

served both by the Director-ates General - effectively civil servant departments for which servant departments for which they are responsible – and by their own generally seven-strong private offices called cabinets. The head of this team, which tees up all the important decisions taken by the Commission at their weekly meetings, can be highly infinential and needs tongh negotiating skills and detailed mastery of the range of EC social, economic and agricul-tural policies.

social, economic and agricul-tural policies. The unofficial Foreign Office Tist' of names, as UK diplo-mats were keen to stress over the weekend, is intended only to assist in the search for the right individual but there is now a well established, if infor-mal, tradition dating back to the early 1970s that the senior-British Commissioner takes a Foreign office man. Foreign office man.

Brittan has instead opted to appoint Mr James Currie, a 46-year-old Scot who is one of three directors in charge of regional development policy at the European Commission. wing members had walked out during the morning session. The walk-out is likely to Seconded from the Scottish Office to the UK permanent representation in Brussels to representation in Brussels to prepare for the last British presidency of the EC, Mr Cur-tie moved to his present joh a couple of years ago and has quickly built up a reputation as one of the rising stars of the Brussels hureaucracy. throw the union's leadership into turmoil by turning bitter disagreements between the right and left into an open conflict. The issue will be officially

The issue will be omicially taken up by a six-man inquiry, appointed by the executive, into the way the allegations which had provoked the walk-out were raised. The ostensible reason for the

Brussels hureaucracy. His main achievement has been to help develop a more decentralised approach to the management and monitoring of the EC's vast network of regional fund projects. His elevation to the post of *chef de cubinet* to Mr Brittan is likely to be widely welcomed on aff sides in Brussels; but it is understood that senior For-elem Office diplomats in Lonwalk out was the executive's decision to uphold the validity of the election in February of Mr Steve Riley, as an excen-tive member for the London eign Office diplomats in Lon-don are privately irritated that their landian Mr Riley, a convenor at Ford's Dagenham assembly plant, defeated Mr Brian

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SDP members vote to temper market policies By Peter Riddell

THE FIRST conference of the THE FIRST conference of the independent Social Democratic Party, the centrist party led by Dr David Owen, yesterday applied a brake to the leader-ship's wholehearted support for a market economy and competition in the provision of economic and social services.

The four-day conference in the south coast resort of Tor-quay is intended to mark the rebuilding of the party after the split earlier this year within the old SDP. This left whinin the on SDF. this int. Dr Owen and his supporters adrift from those of the SDP. who went on to merge with the Liberal Party to form the Social and Liberal Democrats

Social and Lineral Democrats under Mr Paildy Ashdown. The policy-making council of the SDP overwhelmingly endorsed the general principle of the social market economy or the social instact economy and greater competition. But the council defended the lead-ership in a series of policy and organizational votes.

The votes imposed considerable restrictions on the ability of schools to opt out of local

THE Transport and General Workers Union's executive council yesterday manimously backed Mr Neil Kinnock and Mr Roy Hattersely in their campaign for re-election as leader and deputy leader of the opposition Labour Party. The union's support came despite a union's support came despite a backed Mr Neil Kinnock and Mr Roy Hattersely in their campaign, for re-election as leader and deputy leader of the opposition Labour Party. The union's support came despite a walk-out by 17 right-wing exec-utive members.

ntive members. The walkout was over a dis-pute about the validity of the election earlier this year of a left-wing executive member. It prompted Mr Ron Todd, the TGWU's general secretary, to accuse a segment of the union-of a determined compaign to destabilise its leadership. The TGWU vote makes Mr Kinnock's re-election as leader virtually certain. It will also make it very difficult for Mr John Prescott, the party's

John Prescott, the party's energy spokesman, to unseat Mr. Hattersely

The TGWU has 1:28m members and commands about 8 per cent of the electoral college at Labour Party conference, which will decide the leader-

to have an engagement before agreeing the marriage terms," he said. He refused to give any details on how the deal was to have been structured. Mr Pierre Vinken, chairman of Elsevier, stressed yesterday that Pearson had always been his first choice as a merger partner and that he had tried for years to interest the UK group in joint activities. He confirmed that Elsevier

been introduced by the prese Government. Successful motion also called for limita-tions on personal credit agreements and opposed coal industry privatis

month. The union's move was welcomed by supporters of the incumbent Labour leaders, par-ticularly since it came with a unanimous vote of the union's

Nicholson, the then chairman of the union's executive, who led the centre-right group which had controlled the executive over the previous two-VEATS_

region.

not been picked. There is some consolation, however, in the fact that Mr Antony Carey, who has been appointed Mr Brittan's deputy chef, is a Foreign Office man.

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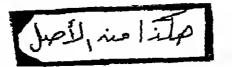
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UK NEWS

ECGD review will cover privatisation schemes

By Peter Montagnon, World Trade Editor

THE EXPORT Credits public sector Guarantea Department has." The review will be done by opened a broad review of its: Mr Bob Kemp, who retired in status and operations which the summer as director of could lead to a recommenda- ECGD's international group, tion to ministers that all or He will draw on his experience part of it be hived off to the of dealing with ECGD's com-minate sector. private sector.

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The six-month review was to exporters, banks and other commissioned by Mr Malcolm Whitehall departments. Stephens, ECGD chief execu-ECGD declined to commant tive, with the approval of Lord Young, Trade and Industry Secretary. Staff have been told that it will examine a full range of options, including privatisation

Although the immediate Although the immediate impulse for the review was the possibility of ECGD being accorded agency status under government plans for beefing up some departments, the study has been broadened to take account of the need for changes in ECGD's organisa-tion in the run-up to the Euro-pean single market in 1992.

Export insurance specialists believe that 1992, which will open the prospect of an inter-national market for export credit insurance, could provide opportunities for private sector export credit companies. This would be to the detriment of agencies, like ECGD, which remain firmly wedded to the

THE LABOUR Party in

Scotland has rejected the strat-egy of leading a mass cam-

paign of non-payment of the community charge (or poll tax) when it comes into effect north

played a crucial role.

ists.

By James Buxton, Scottish Correspondent

privatisation. He will draw on his experience of dealing with ECGD's coun-terparts abroad as well as talk

stuck with a rump of loss-making business consisting of on the scale of the review, but guarantees on long-term loans to developing countries. How-ever, the review is considered unlikely to conclude that the ECGD should simply carry on as a department of government without any observes in the cha Mr Kemp's brief is understood to cover options that include splitting ECGD'a business into groups with different status, its redesignation as a public corporation and possible col-laboration with the private secwithout any change in its sta-

Ins. One option, which is widely thought of as the most viable by private sector export credit insurers, might be to privatise ECGD's Cardiff-basad short-term export credit insur-The main focus, however, is likely to be privatisation, a subject which has been grow-ing in urgancy with the advent of 1962, but which remains controversial among exporters worried about the potential loss of government support. Export insurance specialists say there; should be no foreance business allowing it and other private sector firms to reinsure a pool of more difficult risk with the Govern-

gone conclusions about the ment Following a series of improvements in efficiency in recent years, Cardiff is now recommendations from the review, which is being carried out from a purely commercial trading profitably and expand-ing its business turnover, but further effort is needed to standpoint without political There is also no guarantee at

this stage that ministers would make it ready for privatisation.

Broker says Investment trusts study retail trading plan electricity valuation is 'optimistic' accept a recommendation for

By Maurice Samuelson

Mr Alan Clark, the Trade THE ELECTRICITY industry could have a market capitalis-Minister who is an active sup-porter of ECGD, has said in the could have a market capitalis-ation figure of only £14hn when privatised compared with the widely assumed fig-ure of about £20hn, says CL-Alexanders Laing & Cruick-shank, the City stockbroker. Describing the widely quoted £20hn figure as extremely optimistic, it says the final outcome will depend on the extent to which the Government lets electricity prices rise to provide suffipast that he would oppose pri-vatising the profitable short-term export insurance husiness of ECGD if that meant leaving the Government

Government less electricity prices rise to provide suffi-cient profit to boost the priva-tisation proceeds. The forecast, which applies to the whole industry, con-trasts with the estimate by Mr

Chris Hope, of Cambridge Uni-versity's engineering depart-ment. He considered the gener-ating plant of England and Wales alone would be worth 219bn when sold.

Light when sold. However, other stockbrokers dismiss discussion of such fig-ures as "meaningless" in view of the number of decisions the Government still has to make

its forecast, depending on the regulatory system, the pricing formulae, the UK stock market

formulae, the UK stock market and the capital structure of the privatised entities. The report, by a team headed by Mr Robert Giles, is highly sceptical about tha speed at which the privatised electricity industry will con-

struct new power stations. Having once forecast that the Sizewell B nuclear power station would not be huilt, CL-Alexandera Laing & Cruickshank now says that it way he the more merupined ating Board for three more.

built before the year 2000.

By Barry Riley THE ASSOCIATION of The scheme would amount their advice from newspapers Investment Trust Companies is studying a plan to establish its own retail trading service in to a development of the proven existing arrangements being operated by Barclayshare, the

investment trust sbares, removing the need for inves-tors to deal through stockbrokers. The revolutionary scheme would take advantage of recent

structural changes in the secu-rities industry and use modern computerised systems. It is envisaged that small investors would be able to buy and sell in amounts up to £1,000 at a time using a simple

book entry system. The shares would be held through a central nominee company, and investors' holdings would be recorded in a passbook, avoiding the need for share certificates.

By Peter Riddell, Political Editor

THE GOVERNMENT faces a

further political test in a par-

private client stockbroking subsidiary of Barclays Bank. Mr Philip Chappell, an adviser to the AITC, said the aim was to demystify invest-ment trust share dealing and turn the process into some-thing as simple and familiar as

and magazines. Investment trusts are banned by company law from pro-moting their shares individu-ally. However, the planned

share dealing service could be used to market trust sbares collectively, for instance through links with building

societies. A service will also be offered to independent financial inter-mediaries who would be able to add their own charges.

Individual investment trusts will need to give their backing to the planned execution-only service if their shares are to be traded

activity is planned; the trading book will be kept level overall, and positions will be unwound

through Stock Exchange market makers. Details of the scheme,

including its costs and charge have not yet been worked out Its regulatory status and its qualification for the stamp duty exemption available to recognised market makers will also need to be established. Also the scheme's viability is not yet certain.

However, the AITC has been encouraged by suggestions from the Government, most recently by Mr Norman Lamont, a junior Treasury minister, who said last week that the City should do more to serve the small private inves-

tor. "I'm sure something will come out of it next year," said

OBITUARY Lord Roberthall: leading adviser on economics

LORD Roberthall, who died on Friday, aged 87, was the senior economic adviser to Labour and Conservative governments from 1947 to 1961.

As a Keynesian during the beyday of Keynesian demand management, he believed firmly that governments could and should intervene in the economy to sustain high levels of activity and employment. The "broad rule," he once wrote, "is simple enough": it is "to stimulate demand when it is deficient and to restrain it when excessive."

Lord Roberthall was born in New South Wales in 1901 and trained originally as an engi-neer. He came to Oxford as a Rhodes Scholar in 1923 and was an economics fellow at Trinity College from 1926 to 1947. After leaving Whitehall, he was principal of Hertford College, Oxford for three years

in the 1960s. Formerly known as Sir Robert Hall, he was made a life peer in 1969. He sat on the cross benches and joined the SDP in 1981. He was dismayed by the sharp rise in unemployment after 1979 and attributed it in part to the monetarist pol-icies of the Thatcher government

In 1981, he signed the famous letter from 364 economists which criticised the Government's economic approach and urged a return to more conven-tional economic policies.

presented itself.

years in Whitehall, remained a shy and emotional man. He pever lost his Australian accent and retained a love of outdoor pursuits - he was a keen gardener until well into his eighties. He was an intellectual who none the less lived life to the full. He will be remembered for his integrity and breadth of vision - qualities which today often seem in

tive. He said: "The aim must now be to make sure the Govern-ment pays a high price for the introduction of a traly unjust and unpopular measure."

when it comes into effect north of the border next year. At a special party conference at Govan in Glasgow at the weekend the party's official policy of rejecting nonpayment was endorsed by 512,000 votes to 225,000 - a two-to-one majority in which block votes hy moderate trade unions played a crucial role. However, the vote is unlikely to kill off support for non-payment in the Labour Party, in power cannot lightly repudi-ate obligations under the law. You can't argue for the rule of where it is backed by many activists and some trade union-

About a dozen of Labour's 50 Scottish MPs, including Mr Rohin Cook, the party's health spokesman, say they do not intend to pay the tax. Mr Donald Dewar, the

shadow Scottish Secretary, said after the vote that it would make Labour's opposition to the poll tax more effec-

He argued strongly during the conference that "a party which believes it will soon be

law when the right people are in charge and have the luxury of picking and choosing when they are not." This is the line laid down by Mr Neil Kinnock, The conference acknowledged this by endorsing a statement recognising that many individuals "may make their own personal stand by not paying it." the party's leader.

Mr Brian Wilson, MP, who leads the Stop It campaign, said that non-payment would please the Government because it would cut Labour local authorities' revenue.

The debate, which was often bitter, ended in uproar with the groups favouring non-payment arguing that they had not been given enough oppor-tunity to speak.

The outcome of the confer-ence puts the Labour Party at odds with the Scottish National Party, which last week voted overwhelmingly in favour of leading a nonpayment campaign. The issue could become the

focus of the by-election at Govan, caused by the forth-coming appointment of Mr Bruce Millan, the Labour MP, as an EC commissioner. The by-election is due to be held in the next few months at a date yet to be fixed.

liamentary by-election, proba-bly in the late autumn, followabout the finances of various parts of the industry. "Nobody can know what the capitalisation will be," said another stockbroking firm ing the death on Saturday of Sir John Biggs-Davison, the Conservative MP for Epping Forest, in Essex. An MP for 33 years, Sir John had a majority of 21,513 at the June 1987 general election. The runner-up then was Mr Toay Humphris (SDP/Alliance). He another stockbroking firm which is advising the Govern-ment on the electricity sale. CL-Alexanders Laing & Cruickshank also admits that the actual outcome of the sale could differ significantly from Labour rejects poll tax boycott

has since joined the Social and Liberal Democrats, and leaders of the continuing SDP have not yet decided whether to contest the seat.

may be the only pressurised water reactor to be con-structed, despite plans from the Central Electricity Gener-

It also doubts whether the three new coal-fired power sta-tions planned by the CEGB at Fawley, Hampshire, West Burton, Nottinghamshire, and Kinganorth, Kent - will be

trust share buyers are advised by stockbrokers. Most ohtain

Autumn poll likely

after Tory MP dies

saving with a building society. "The essence is a comput-er-based passbook," he said. For a long time the AITC has been concerned at the failure of stockbrokers to promote investment trust shares effec-tively. Its consumer research has shown that only 18 per cent of first-time investment

A limited market-making

Mr Chappell.

Lord Robertball will be remembered as one of the best economic advisers of the pos-twar period. He was a practical and pragmatic economist rather than a theoretician and is reputed to have had an almost feminine feel for the

state of the economy. His forecasts, unlike those of his successors, were rarely wide of the mark. He took events as they came and once

remarked that be lost less sleep over the balance of pay-ments than his colleagues at the Treasury because he knew "we could always devalue." He was a more rounded man

than many economists and had a great love for literature. He often re-read Proust in the often re-read Proust in the original French and once set himself the task of learning all of Shakespeare's sonnets by beart. He had read all the plays hy the age of 21. He intended to become a philosophy don at Orford, but, always practical, took an economics job when it presented itself.

Lord Roberthall, despite his short supply.

Sir John: one of the last of the old school

opposition front-bench spokesman on Northern Ireland before he had to resign in 1978 after voting against continua-tion of sanctions against Rho-desia, defying the Conservative

whip ordering abstention. Despite his sometimes highly controversial views, Sir John was respected and well-liked by MPs of all parties for his charm and sincerity. He was a familiar figure in the Commons sitting on the front bench below the gangway. Sir John had been having

treatment for some time. His death was caused by pneumo-nia and jaundice which developed after he returned from a month-long trip to Africa.

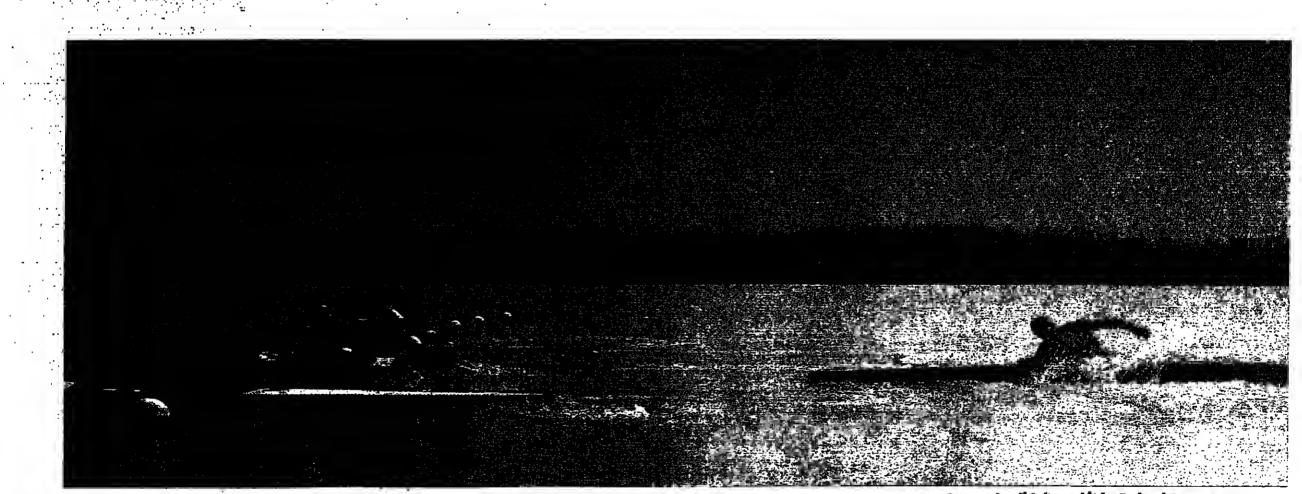
Two other by-elections are also in the pipeline - at Rich-mond in North Yorkshire and Glasgow, Govan, caused by the appointments of Mr Leon Brittan and Mr Bruce Millan respectively as European Com-missioners. The dates of the

contest will depend on when they leave the Commons, and could he as late as next spring. Sir John, aged 70, was one of the last of the old school of the independent-minded Tory romantics whose nationalism

derived from an original imperialist outlook. A Roman Catholic, he was, unusually, a strong supporter of the Ulster unionists and a persistent critic of the Anglo-Irish Agreement, against which he voted in the Com-

mons.

in the late 1970s he was an



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UK NEWS

DTI plans Lancia importer moves into profit after five years By John Griffiths

LANCAR, the importer of Lancia cars, has made its first profit since it was set up by Mr Gerald Ronson's Heron Corporation five years ago. It is forecasting a sales recovery from 2,689 units at their low point in 1984 to 10,000 units in 1992.

10

1992. Mr Ronson, a self-confessed "car enthusiast," took over from the Flat group the task of reversing Laocia's plunging UK sales in February 1983. He said then that Lancar would be profitable within two years and that between 25,000 and 30,000 Lancias would be sold in 1987. When initial sales failed to When initial sales failed to

meet Laocar's targets and dealers' morale appeared to be flagging, he volunteered himself as a hostage to fortune by appearing in motor trade advertising to assure them that: "I didn't take on the Lancia franchise to lose money.

Three years later than intended, Mr Denis Rohan, Lancar's managing director, was able to announce this week a pre-tax profit of £89,000. Lancar has not disclosed its losses over the four previous years. At the time of the takeover, Mr Ronson said Heron would put between 25m and 210m into the business following its acquisition also following its acquisition, also for an undisclosed sum. The profit has been achieved

when Lancia sales in the UK are rising again after their spectacular collapse between the late 1970s and mid-1980s. motor show at the end of this As part of the expansion, said Mr Rohan, Lancar is seeking to expand its current network of 94 dealers to about In 1978 Lancia sold nearly

12,000 cars in this country. However, a furore over rust which led to the recall in 1980 market share in western Rurope is about 1 per cent, but its share in the UK stands at 0.19 per cent. of a now-obsolete model, the Beta, caused sales to nosedive. Beta, caused sales to nosedive. By last year, sales had risen to 3,439. In tha first eight months of this year they were up 21 per cent on the equivalent period of 1987 at 3,061 units. More than 960 units were registered in Angust alone. is being outpaced, however, by that of Alfa Romeo, which became a Fiat subsidiary at the beginning of last year. The Alfa Romeo franchise, which is held by Tozer Kemsley & Millbourn, the UK investment group owned by Sir Ron Brierley, the New Zealand

According to Mr Rohan, Lancar's financial improvement reflects improved Lancar's control of costs, with advertising and promotion spending reduced from £440 to £170 a unit. He also cited a richer model mix in which sales emphasis has switched to the Thema executive car and - "helped tremendously by Lancia's string of world rally championships - the Delta

last year. Mr Peter Kinnaird, managing director, is now forecasting a year-on-year sales increase of 52 per cent and Alfa's best UK performance for four years. It, too, has a long way to go before matching 1970s sales performances. At their peak in the 1970s, Alfa sales reached hatchback. However, the recovery is also taking place in advance of a large model replacement

following a raturn to substantial profits by Fiat, the almost 15,000 units a year. However, it will also benefit from substantial investment in parent company. It is understood that the vell on some of these products may be new models by Fiat, with the 164 executive saloon due to go on sale in this country shortly. partially lifted at the Paris

entrepreneur, has seen sales for this year's first eight months, at 2.537 units, easily exceed the 2,303 sold in all of

Taking the latest six months as a whole output was 10 per cent above that of the previous six-month period and six per cent above the same six

for share disclosure 'are timid' By Clive Wolman GOVERNMENT's THE

consultative document on improving the disclosure of interests in shares bahind 120 by 1990 Lancia'a overall nominee accounts is criticised as excessively timid in a response from the publishers of the Index of Nominees and their Beneficial Owners, which is published yearly. Lancia's recovery in the UK

Mr Christopher Hird and Mr Bichard Belfield, the directors Richard Belfield, the directors of Fulcrum Publishing, claim that the Department of Trade and Industry has given in to the special pleading of a small and unrepresentative group of investors by opposing the automatic disclosure of those who stand behind nominees when the shares are regis-tered.

use individual designations, they say, and the others still have to use an internal system

shareholdings representing less than 6.05 per cent of a company's equity should be excluded from the obligation of disclosure, so that share-holders can be identified.

They also suggest ways of averting the possibility that company directors might abuse greater powers to enforce disclosure of interests they believed to be hostile, while protecting friendly inter-

The Index of Nominces, pub-

Dover: its fight to beat the threat of the Channel tunnel depends largely on the response of the ferry companies Light at the end of the tunnel

Kevin Brown on Dover's battle to weather strikes and competition

HERE are fewer pickets

T HERE are fewer pickets outside Dover's eastern docks nowadays, and a lot more tourists. The seven-month seamen's dispute is fizzing out and ferry services are almost back to normal. However, there will be no celebrations among the 950 people who work for the Port of Dover, or tha thousands more whose lives are bound up in the local ferry industry. For them, the dispute was only the latest in a series of catastrophes which will over-shadow the port for years to come. First came the Herald of Free Enterprise disaster. Nearly 200 people died on the Dover-based ferry; owned by Peninsular and Oriental Steam Navigation, when it capsized wagons. Like all ports, Dover can generate profits only if it can attract sufficient shipping ser-vices. Up to now, the location of the port on the shoftest route between the UK and its big Continental markets has made that relatively ever

Peninsular and Oriental Steam Navigation, when it capsized off Zeebrugge in March 1987. The accident was a social and economic disaster for Dover, but it also destroyed the port's campaign against the Channel tunnel, which had been making significant head-way on safety grounds. The immediate consequence was that P&O moved to cut costs by reducing manning legmade that relatively easy. However, from 1983 onwards, its future will depend crucially on the response of the ferry companies to the tunnel. Mr Jonathan Sloggett, the

port's managing director, points out that by 1992 the average age of ships in the Dover fleet will be 11 years costs by reducing manning levnot a good competitive product against brand new, high-speed els on its Dover-based ships -leading to a brief, national strike and mass demonstrarolling stock.

tions at the dockside. In the end, more than 700 seafarers lost their jobs. The largely unionised port workforce worked normally throughout the dispute, but tha port was hard hit by the reduction in both tourist and freight traffic. Port revenue will be about

131m this year - 15m less than expected - and a forecast profit of £2.8m will be wiped out. Some of that will be recovered next year, as the ferry companies seek to boost their traffic with special offers. As the strike disappears

from view the Channel tunnel looms on the horizon. The precise impact on port traffic will depend on the martrainc will depend on the mar-keting and pricing policy adopted by Eurotunnel, the Anglo-French consortium which will operate the tunnel, and the response of the ferry companies. But it is clear that the tunnel will take almost all the 3.5m foot passengers who used Dover last year, together with up to three-quarters of the 1.8m cars, 121,000 coaches and 888,000 lorries and rail

of the very locrative Dover to

Calais services, which have served to mask the true level

of losses on other routes. Mr Sloggett's view is that the ferry companies will con-

centrate services on Dover-Calais, while pulling out of most other routes, with the possible exception of services to Belgium, which are subsi-dised by the Belgium Govern-ment.

ment. P&C's right with the unions over mamning costs is a clear indication, that it wants to be in the best possible position to compete with the tunnel when the time comes, but that does not preclude an eventual with-drawal or a smaller service drawal, or a smaller service co-ordinated with Sealink.

Mr Sloggett says: "There is a spectrum of potential capacity that runs from more competition; through rationalisation, with one operator going, to the loss of most of this country'a

"Just how far the pendulum "Just how far the pendulum swings is going to depend on whether the ferry operators keep their nerve, whether the Channel tunnel keeps its nerve and whether the period Inside tunine weeks its nerve, and whether the period from now to 2000 is going to be handled by all those involved in a measured way." There are some things that Dover can do to influence the future for a circuit the puriod

future. For a start, the port has shed 70 workers, and plans to lose a further 40 or 50 through

roling stock. So reinvestment in new ships will be required. How-ever, as well as the effects of the tunnel, the ferry operators also face the probable loss of highly-profitable duty-free sales and the immosition of natural wastage. Secondly, it is spending \$70m to provide all the facilities which might be needed over the next 25 years. The Loans which are paying for this investment will be paid off, by 1998, enabling the port to com-pete with the tunnel unencumsales, and the imposition of value added tax on tickets, as part of the completion of the European single market. The situation is further com-plicated by the distorting effect

bered by debt. Thirdly, the physical move-ment of goods through the port is being speeded. Five years ago an inbound lorry took eight hours to clear customs. Now 75 per cent go through in less than an hour. This could be improved to 90 per cent

within 30 minutes under a "fast lane" procedure being dis-cussed with the Customs and Excise service.

FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

Brcise service. Lastly, the port has diversi-fied into general cargo, and there are some hopes that this trade can be increased, although the shallow harbour waters would make rapid expansion difficult. Mr Sloggett says his strategy should enable Dover to com-pete with as little as a quarter of its current traffic, but he also has an insurance policy.

also has an insurance policy. In line with recent encouragement from the Government, Dover has begun to investigate the possibilities of privatisa-tion. This would mean the loss of the port's status as a non-profit-making trust, estab-lished by Act of Parliament, but it would also allow surplus land to be developed. The port already owns much property (including the White Cliffs Hotel) and privatisation would permit further develop-ment and encourage innova-tions such as yachting marlgement from the Government,

tions such as yachting mari-

"The last 18 months have been fairly unpleasant here the Herald of Free Enterprise, the P&O strika and Equity the P&O strika and Equity Three (Eurotunnel's final sale of shares) have taken up a con-siderable amount of our resources," says Mr Sloggett. "Thope the next nine months or so will allow us to devote

ourselves to thinking about our future, coming to a clear view about the job we want to do; and making the most effi-

cient use of our assets." Mr Sloggett says he is pessi-mistic about the future of ferries, but not about the faiture of Dover. "At the end of the day, if the ferries won't use the port we will put offices on it or build a hotel," he says.

Car exports remain low **Fall in National** Savings receipts despite rise in August continues trend By John Griffiths By Our Financial Staff

THE TOTAL net contribution to National Savings in August was £111.8m, including £33m from accrued interest, continuing the pattern of lower

monthly net receipts compared with the past few years. After five months of the financial year the contribution by National Savings to Government funding is £640.8m, com-pared with £1,069.3m for April-

August last year. Index-linked certificates net receipts were £67.3m. The only other really buoyant category was that of income bonds, which attracted £643m. Elsewhere the Investment Account brought in a net £30.Im and Premium Bonds added £17.0m.

CAR production for export markets is running at a level well below that of last year, according to provisional statis-tics from the Department of Trade and Industry. Taking the latest six months as a whole, seasonally adjusted export output was 9 per cent lower than in the preceding

months during 1987. Commercial vehicle production, at a seasonally-adjusted 33,800 in August, remained at a very high level and substan-tially higher than in July, lower than in the preceding six-month period and 13 per cent lower than in the correwhen 29,000 units were sponding six months last year. built. in contrast to cars, output for export is showing particu-That was inspite of an increase in export output dur-

ing August to 19,000 units comlar strength. ng Adgust to 15,000 in July. Total car output in August, at 100,000 units seasonally adjusted, remained at a high level, although slightly below the 104,000 of July.

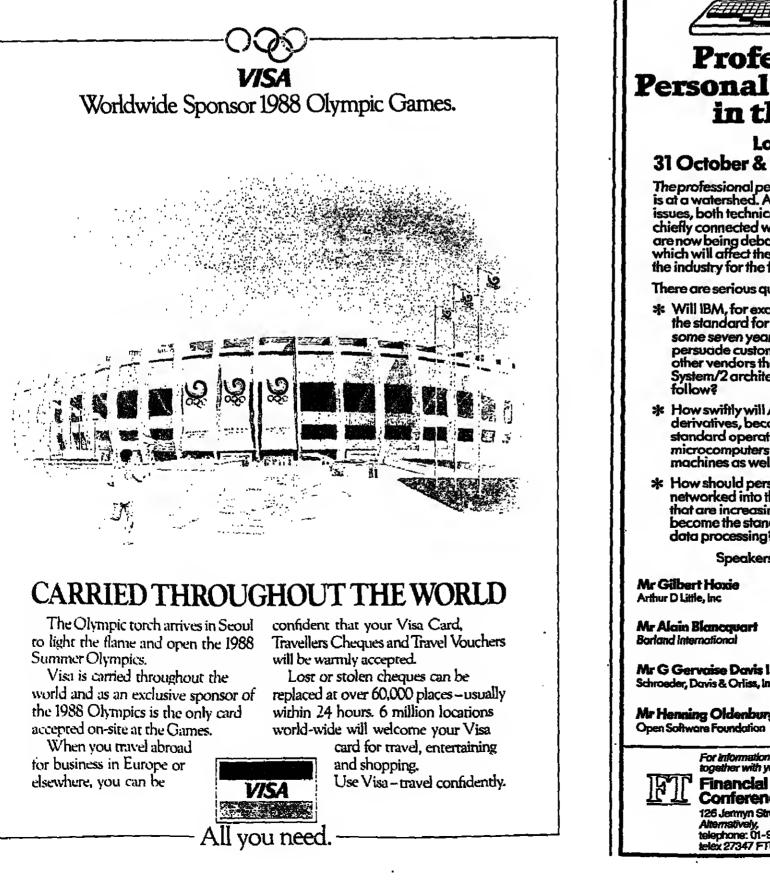
Taking the latest six-month period it was up 45 per cent compared with the both the previous six months and the corresponding period a year ago.

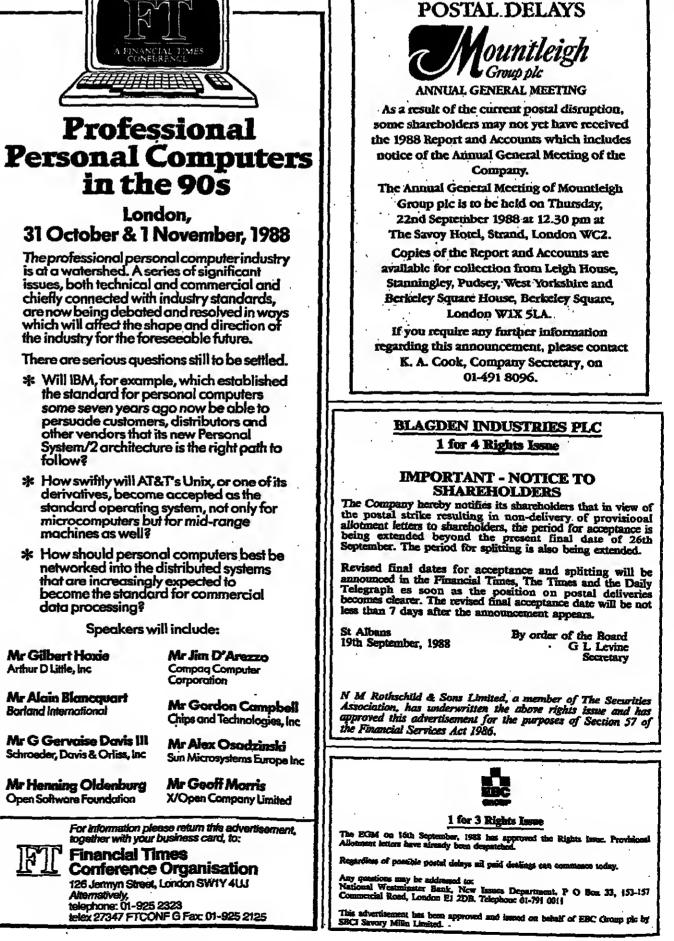
The document, published in July, exaggerates the practical

difficulties facing particular investment management com-panies with many small indi-vidual clients, Mr Hird and Mr Belfield argue.

Many institutions, including Legal and General, N.M. Rothschild and CL-Alexanders Laing & Cruickshank, already

for identifying individual shareholders by name. They acggest that only





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preposterous suggestion, you may say. Quite Iudicrous. But before you dismiss it as pure fiction, consider the following facts.

The rate of information growth is doubling every five years. Currently, 6000 new scientific articles are published every week.

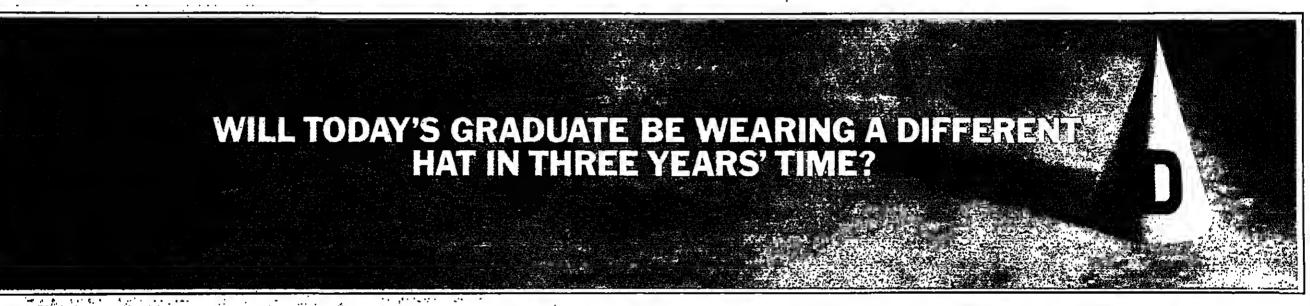
An explosion of facts and figures shattering the dreams of anyone hoping to become a Jack-of-all-trades. Indeed, being the master of just one is now a race where the finishing line keeps moving.

Skills and knowledge that may have taken years to acquire can be out of date almost overnight.

Think of the ship designers in the north-east who have had to turn their hand to designing oil rigs.

The plant breeders who have had their world turned upside down by the advent of genetic engineering.

The textile designers who have had their crayons replaced by computer keys. Formal qualifications on their C.V.'s, though important, would have given little indication of their capacity to accept and adapt to change.



Of course, if we expect people to have a more flexible, adaptable outlook on

work, we must also expect the same of their employers.

 $a \in \mathcal{A}$

So companies must be prepared to do more than just give time off for occasional conferences. They must also allow time off to attend business schools and retraining courses. And maybe more.

Some companies do already. But should we follow the example of countries like Sweden where mid-career breaks of several years are not uncommon? In fact, is it time we reappraised our attitude towards career patterns entirely?

Traditionally, the long serving employee has been held up as the shining example. And, of course, many years of experience in a company can be invaluable.

But in today's fast changing world perhaps we should look more favourably on frequent job changes and regard them as the need to face fresh challenges.

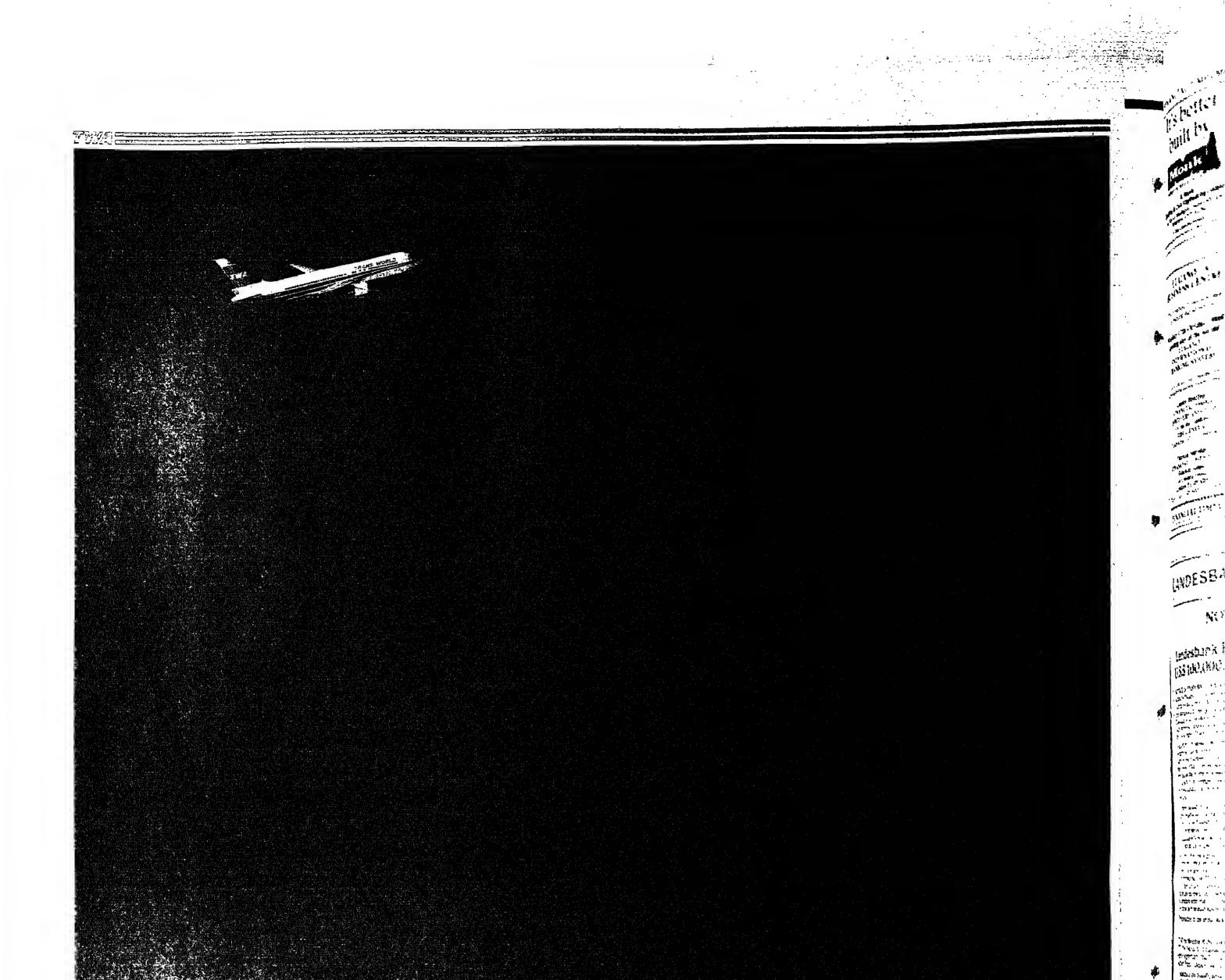
That, in itself, is a challenge that business may soon have to face.

Indeed, in our view, training, or lack of it, is very often at the root of many companies' staffing difficulties.

Yet, sadly some firms still see training as a side issue when compared with, say, providing plant and finance.

According to the latest (1985) MSC figures, the average company spends a mere 0.15% of its turnover on training.

As for ourselves, this year training will cost us some 10% of our income. It's a sizeable sum. But it's one we would not spend unless we knew it would repay us fully in the years to come. Accountants, Advisers, Consultants



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at the food and wine, but also at the date on all the magazines. (Last week's *Newsweek* is bad news.) They'll assess the standards of

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LUGANO - A BUSINESS CENTRE

The Financial Times proposes to publish this survey on:

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Hotel project in Bangladesh US\$50m (£29.4m) hotel is to As project manager, Bovis (Far East) will be responsible be huilt in Dhaka, Bangladesh, by BOVIS INTERNATIONAL's for financial control of the by BOVIS INTERNATIONAL'S whelly owned subsidiary Bovis (Far East) of Hong Kong. The 23 floor, 400 room hotel will be owned by International Hold-ings, of Dhaka, and managed by the Asia-Pacific regional division of Holiday Inns Inter-national project as well as building and materials procurement. Prelim-inary site preparations are underway and test pilmg has started.

Marylebone Road

development

Companies in the TRAFALGAR HOUSE building and civil engineering division have won contracts worth over

£14m. Trollope & Colls Con-struction has been awarded an £8.5m contract to construct office accommmodation with

adjacent apartments at 139-151

Marylebone Road, London, on behalf of Sheraton Securities International. The building will have a reinforced concrete

The 38,000 sq metre multi-storey hotel structure will be built of reinforced concrete,

with an adjoining low rise com-Occupying a three acre site in the heart of the city's com-mercial area, the hotel develop-ment will also include a conmercial complex of 37,000 sq metres. Estimated building costs for the hotel are US\$26m (£15.3m) with a further US\$17m wention centre, banqueting hall, swimming pool and shop-ping arcade. Completion is scheduled for early in 1991. (£10m) to be spent on plant and Bovis Construction has been

the frame of waffle slab construc-

steel frame building will pro-vide 35,000 sq ft of office accommodation.

awarded a film management

contract to build the first phase of an office development for Hewlett Packard in Brackfor Hewlett Factard in Brack-nell, Berkshire. The first phase includes a three-storey, con-crete framed building to pro-vide 100,000 sq ft of office accommodation including ser-vices raised floors, ceilings, partitions and data cabling. The building will be clad with a combination of aluminium a combination of aluminium double glazed windows and Luxalon sandwich wall clad-

CONSTRUCTION CONTRACTS

ding. The site works comprise extensive ground level parking and landscaping. This phase of the development is expected to be completed by November 1989

Hospital facilities

The Scottish region of WIMPEY CONSTRUCTION UK has been awarded a £14.2m contract by the Tayside Health Board for a major extension to the Perth Royal Infirmary. The frame of waffle slab construc-tion which will encompass 67,500 sq ft of offices and 1,830 sq ft of residential property. Willett has won a £1.8m con-tract for three high-technology office units in Greycaine Road, Watford, on behalf of sister company Trafalgar House Business Parks. The two-storey steel frame building will proproject will provide a substan-tial improvement in accommodation with new buildings and alterations on a site immedi-ately to the west of the hospi-tal in Jeanfield Road, Perth, near the city centre. Construction will be around an in-situ concrete frame with elevations variously of brick/block and metal cladding.

Offices for Slough McLAUGHLIN & HARVEY has The contract is valued in the been awarded a total of £16.8m contracts during August. Work is to start shortly for MEPC on

States and states and

Refurbishing Jersey bank

HIGGS AND HILL MANAGEMENT CONTRACTING has been awarded a £1.4m contract to undertake the major refurbishment of Lloyds Bank in St Heller, Jersey. The work, which is all to be

region of £145m with a con-struction period of 51 weeks. Work has already comthe redevelopment of Observamenced on an office building at Boundary Row, London SE1 for Mathieson Securities. The contory House, Windsor Road, Slough. The project comprises a six-storey office block with a tract, valued at £2.3m, is due separate multi-storey car park. for completion in 42 weeks.

of Lloyds Bank in St lieller, Jersey. The work, which is all to be undertaken while the bank remains trading normally, requires the refurbishment of all public and office areas. The building has an interesting history. It was acquired by Lloyds in 1874 and the ceiling, which is to be restored, and the main entrance doors, date back to that period. The fine curved oak entrance doors appear in many local photographs taken during the occupation of Jersey, when the bank remained trading, but dealt in Deutsch-marks rather than pounds sterling. The contract also requires the installation of banking hall counters, complete replacement of the heating and ventilation systems and a metunatic tube A full telephone results service brought to you direct from the Olympics in Seoul. Updated reports every 30 minutes from 6.30 am to 10.00 am. Full report of the days news and results at 12.30 pm. Preview of the following days events at 4.30 pm. of the heating and ventilation systems and a pneumatic tube transfer system. It will also have a lobby with a brushed alumin-FINANCIAL TIMES imm facade set in local granite to match the external wall. **CITYLINE SPOR1**



The Financial Times proposes to publish this survey on: 6th October 1988

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RING THE OLYMPICS

17 SEPTEMBER – 2 OCTOBE

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For a full editorial synomia and adv

Chris Schanning on 01-248 8000 ext 3699

or write to him at:

Bracken House 10 Cannon Street London EC4P 4BY

FINANCIAL TIMES

LANDESBANK RHEINLAND-PFALZ

NOTICE OF A MEETING of the holders of

Landesbank Rheinland-Pfalz - Girozentrale -U.S.\$ 100,000,000 734 per cent. Notes due 1991

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Notaholders") of the above-mentioned Notes (the "Notas") convened by the Bank will be held at the offices of The Royal Bank of Canada, 71 Ocean Victoria Street, London EC4V 4DE on 14th October, 1988 at 9.00 a.m. (London-time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Fiscal Agency Agreement dated 28th Agent, 1986 made between Landesbank Rheinland Pfaiz - Girozentrale - (the "Bank") and Bankers Thust Company (the "Fiscal Agent") and others relating to the Notes.

time - rescai Agents" | and others reasing to the rooms. The Resolution, if passed, will modify interpain, the Derms and Conditions of the Notes (the "Conditions") by the insertion of an additional Condition pursiant to which the Bank may, without the consent of the Note-holders or the holders of the coupons appertaining thereto (the "Couponholders" and the "Coupons", respectively), effect the substitution of a direct or indirect subsidiary of the Bank incorporated or estab-lished outside the Federal Republic of Germany as debtor under the Notes and the discharge of the Bank from its obligations and Habilities ander the Notes and Coupons, subject to the payment of prin-cipal, interest and other amounts in respect of the Notes heling unconditionally and irrevocably guaranteed by the Bank.

cipal, interest and other amounts to respect of the Notes belog unconditionally and interocably guaranteed by the Bank. Notebolders should note, in particular, that, in connection with any substitution effected pursuant to the modified Conditions, the Bank will not be required to have regard to the consequences of such substitution for individual Notebolders or Couponholders, resulting from their being for any purpose domicfied or test-dent in, or otherwise connected with, or subject to the jurbaliction of, any particular terpiony and no Non-holder or Couponholder will be entitled to claim from the Bank or the substituted debtor any indemnifica-tion or payment in respect of any tax or other consequence anising from such substitution.

part or payment in respect of any tax or other consequence arising from tack substitution. Full details of the background to, and the reasons for, the proposed modification and the Extraordinary Resolution are contributed in an Explanatory Statement prepared by the Bank dated 19th September, 1988, copies of which are available for collection by Nootholders at the specified offices of the Agents for the Notes specified below. The Explanatory Statement contains, inter alia, (1) the form of the Conditions as they will be if the Extraordinary Resolution is passed and (2) the form of the Deed of Guarantee by the Bank in, or substantially in, the form in which it will be encoured in contaction with any substitutions in, or substantially in, the form which would apply following any such austitution). The Remylation would apply following any such substitution).

is as follows: -

LANDESBANK RHEINLAND-PFALZ

NOTICE OF A MEETING of the holders of

Landesbank Rheinland-Pfalz - Girozentrale -A\$ 40,000,000 14 per cent. Notes due 1991

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the ebove-mentioned Notes (the "Notes") convened by the Bank will be held at the offices of The Royal Bank of Canada, 71 Outern Victoria Street, London EC4V 4DE on 14th October, 1988 et 4.00 p.m. (London-time) for the purpose of considering and, if thought it, passing the following Resolution which will be proposed as an Estraordinary Resolution in accordance with the provisions of the Ficcal Agency Agreement dated 16th December, 1986 made between Landesbank Rheinland-Pfatz - Girnzentrale - (the "Bank") and Orion Royal Bank Limited (the "Fiscal Agent") and others relating to the Notes, as amended.

The Resolution, if passed, will modify inter alls, the Terms and Conductors of the Notes (the "Conditions") by the insertion of an additional Condition pursuant to which the Senk may, without the consent of the Notes holders or the holders of the compons epperining thereto (the "Couponholders" and the "Coupons", respectively), effect the substitution of a threat or indirect substituty of the Sank incorporated or estab-fished ourside the Federal Republic of Germany as debut under the Notes and Coupons, and the discharge of the Bank from its obligations and liabilities under the Notes and Coupons, subject to the payment of prin-cipal, interest and other amounts in respect of the Notes being unconditionally and prevocably guaranteed by the Sank. by the Bank.

Notebolders should note, in particular, that, in connection with any substitution effected pursuant to the modified Conditions, the Bank will not be required to have regard to the consequences of such substitution for individual Nothholders or Couponholders resulting from their being for any purpose domiciled or resi-dent in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Note-holder or Couponholder will be entitled to claim from the Bank or the substituted deptor any indemnifica-tion or payment in respect of any tax or other consequence arising from such substitution.

Full details of the background to, and the reasons for the proposed modification and the Extraordinary Resolution are contained in an Explanatory Statement prepared by the Bank dated 19th September, 1988, copies of which are available for collection by Noteholders at the specified offices of the Agents for the Notes specified below. The Explanatory Statement contains, inter alls, (1) the form of the Agents for the Notes specified below. The Explanatory Statement contains, inter alls, (1) the form of the Conditions as they will be if the Extraordinary Resolution is passed and (2) the form of the Deed of Guarantee by the Bank in, or substantially in, the form in which it will be executed in connection with any substitution of debur effected in accordingter with the Conditions as an modified land having statechoir Conditions is an another official to be the chart of Conditions in an another the land in ecceptions: with the Conditions as so modified (and having strached Conditions in, or substa the some which would apply following any such substitution).

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LANDESBANK RHEINLAND-PFALZ

NOTICE OF A MEETING of the holders of

Landesbank Rheinland-Pfalz - Girozentrale -Can.\$ 50,000,000 9% per cent. Notes due 1991

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") convened by the Bank will be held at the offices of The Royal Bank of Canada, 71 Queen Victoria Street, London ECAV 4DE on 14th October, 1988 at 1.00 p.m. [London-time] for the purpose of Considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Fiscal Agency Agreemant dated oth October, 1980 mada between Landesbank Rheinland-Pfatz --Girozentrala -- (the "Bank") and Orion Royal Bank Limited (the "Fiscal Agent") and others relating to the Notes, as amended,

(the "Fiscal Agent") and others relating to the votes, as an ended, The Resolution, if passed, will modify interalla, the Terms and Conditions of the Notes (the "Conditions") by the insertion of an additional Condition pursuant to which the Bank may, without the consent of the Note-holders or the holders of the coupons appertaining thereto (the "Couponholders" and the "Coupons", respectively), effect the substitution of a direct or indirect subsidiary of the Bank incorporated or estab-lished outside the Federal Republic of Germany as debtor under the Notes and Coupons and the discharge of the Bank from its obligations and liabilities under the Notes and Coupons, subject to the payment of prin-cipal, interest and other amounts in respect of the Notes being unconditionally and irrevocably guaranteed by the Bank. by the Bank,

Noteholders should note, in particular, that, in connection with any substitution effected pursuant to the modified Conditions, the Bank will not be required to have regard in the consequences of such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resi-dent in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Note-holder or Couponholder will be entitled to claim from the Bank or the substituted debtor any indemnilica-tion or payment in respect of any tax or other consequence arising from such substitution.

Eon or payment in respect or any use or under consequence ansato mon such substantion. Full details of the background to, and the reasons for, the proposed modification and the Extraordinary Resolution are contained in an Explanatory Statement prepared by the Bank dated Foth September, 1988, copies of which are available for collection by Notebolders at the specified offices of the Agents for the Notes specified below. The Explanatory Statement contains, inter alia, (1) the form of the Conditions as they will be if the Extraordinary Resolution is passed and (2) the form of the Deed of Guarantee by the Bank in, or substantially in, the form in which it will be executed in connection with any substitution of debtor effected in accordance with the Conditions as so modified (and having attached Conditions in, or substantially in, the form which would apply following any such substitution).

at the Me ton to be pro ing is as follows: -

- EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holdens (the "Notcholdens") of the U.S.\$ 100,000,000 7% per cent. Notes the 1991 (the "Notes") of Lunderbank Ebelmiand-Plaiz - Grozentrale-- (the "Bunk") issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 28th Angust, 1980 made between the Bank and Bankers Trust Company as Fiscal Agent (the "Fiscal Agent") and others, as amended, hereby: --

- (1) assents to the modification of the Tethas and Conditions of the Notes (as printed on the reverse threeof and in Schedule 1 to the Fiscal Agency Agreement) proposed in paragraph (b) of the Explanatory Stan-ment issued by the Bank and dated 19th September, 1988, a copy of which has been produced to this Meeting and InitiaBeet by the Gustman bereaf for the purpose of identification;
- (2) sanctions every modification, abroastion, variation, compromise of, or arrangement in respect of, the rights of the Notcholders and the bolders of the Coupons appertaining to the Nons against the Bank involved in, or resulting from, the modification seferred to in paragraph (1) of this Resolution or any substitution of debor made pursuant to, and in accordance with, the Farms and Conditions of the Notes. as so modified; and
- estipe execution of a Supplemental Facel Agency Agreement in the form of the draft produced to sting and for the purpose of identification signed by the Chairman hereof to give effect to the tion referred to in paragraph (1) of this Resolution". (3) authorizes the execu this Man

The estimation of Rospholders is particularly drawn to the quorum required for the Mosting and for an adjourned Meeting which is set out in paragraph (2) of "Voting and Quorum" below.

Captes of the Fiscal Agency Agroument (Including the currently applicable Conditions) and of certain other relevant documents are available for inspection by Noteholders at the spectfied offices of the Agents for the Potes specified below.

- A Noteholder wishing to ethend and vote active Meeting in person must produce at the Meeting either the Notes, or e-valid voting certificates or valid voting certificates issued by an Agent relative to the Notes, in respect of which he wishes to vote.
- A Noteholder not wishing to simod and sots at the Masting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Agents specified below) instructing an Agent to appoint a proxy to attend and vote at the Meeting to accordance with his instruc-
- tions.
 Notes may be deposited until the time being 48 hours before the time appointed for holding the Meeting (or, if a policable, any adjourned such Meeting) but not there also with any Agentor (to the satisfaction of the Flocal Agent) hold on the Flocal Agent's outer of submitting control by Euro-Clearor CEDEL 5.4., for the purpose of abtaining voting certificates or giving voting instructions in respect of the relevant Meeting. Notes so deposited or beld will be relevant at the voting certificates or so the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the submitting certificates or so the submitting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificates or the Meeting (or, if applicable, any adjourned such Meeting) is courseded, the voting instruction specifies in the Meeting (or, if applicable, any adjourned such Meeting) is courseded, the voting instruction specifies in a submitted in respect the sum required at the Meeting (or, if applicable, any adjourned such Meeting) is courseded, the voting instruction specifies and holding or reports thereal.
 2. The querum required at the Meeting is one or pore persons present holding Notes or voting certificates or being a provy or provide such dualing or representing in the aggregane not less than a clear majority of the principal amount of the Notes for the time being outstanding. If within half an hour from the time appointed for the Meeting a quorum is not present at the Meeting will be adjourned end the Extraordinary Resolution will be considered at an adjourned Meeting notes or works an edjourned Meeting will be two or more persons present belowing a resolution at such an edjourned will be approximated and an edjourned and Meeting will be two or more persons present belowing a more Notes or voting certificates or belo or represented by them.
 3. Every question submitted to the Meeting or the adjourned and meeting will be decided on a show of hands
 </ul
- or being a proxy or proxies whatever the principal amount of the Notes so held or represented by them. Busry question submitted to the Measing or the Adeiman of the Meeting will be decided on a show of hands unless a poll is day demanded by the Cheiman of the Meeting or by one or more persons present to person end holding one or more Notes or young certificates or being a proxy or proxies and holding or representing in the aggregate not less than one-fiftleth part of the principal amount of the Notes then oursending. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. One policers person who is no present shall have one vote in respectof each U.S.5 5,000 imprincipal amound the Notes no produced or ispresented by the voting certificate so produced or in respect of which he is a projet. On a show of hands a declaration by the Chairman of the Moeting that a resolution has been carded or jost shall be conclusive evidences of the fact without proof of the sumber or proportion of the works recorded in favour of or against such resolu-tion. 3. Every qu
- 4. To be passed, the Untraordinary Resolution requiressa majority in favour consisting of noticess then threa-fourths of the persons woing themen upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the wotes given on such poll. If passed, the Extraordi-mary Resolution will be blanding upon all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all Componholders.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanatory Statement, voting certificates and other documents referred in above may be obtained, by Noteholders from the specifies office of any of the Agents given below.

F	ISCAL AGENT AND PRINCIPAL PAYING Bankers Rust Company, Dashwood House, 69 Old Broad Street, London BC2P 288.	AGENT	
h.	PAYING AGENTS Banque fatemationale a Luxembourg S.A. 2 Boulevard Raya), L-2953 Luxembourg,	Landesbank Rheinland-Pfaiz International S.A., 6 rue de l'Ancien Athénée, 11144 Luxembourg.	

This Notice has been approved by an authorized person for the parposes of the Financial Services Act 1986.

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EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders (the "Noteholders") of the A\$ 40,000,000 14 per cent. Notes due 1991 (the "Notes") of Landesbank Ebelmind-Flair - Ginzentrale- (the "Bank") issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 16th December, 1986 made between the Bank and Orion Royal Bank Limited as Fiscal Agent (the "Fiscal Agent") and others, as amended, hereby: -

- assents to the modification of the Terms and Conditions of the Notes (as printed on the reverse thereof and in Schedule / to the Facal Agency Agreement) proposed in paragraph (b) of the Explanatory Sate-ment issued by the Bank and dated 19th September, 1988, a copy of which has been produced to this Meeting and initialied by the Chalrman hereof for the purpose of identification; (1) asse
- (2) sanctions every modification, abrogation, variation, compromise of, or arrangement in respect of, the rights of the Noteholders and the bolders of the Coupons eppertaining to the Notes against tha Bank involved in, or resulting from, the modification referred to in paragraph (1) of this Resolution or any emistimation of debtor made pursuant to, and in accordance with, the Terms and Conditions of the Notes as so modified; and
- (3) authorizes the execution of a Supplemental Fiscal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman hereof to give effect to the modification referred to in paragraph [1] of this Resolution".

The attention of Notzholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph (2) of "Voting and Quorum" below.

Copies of the Fiscal Agency Agreement (including the currently applicable Conditions) and of certain other relevant documents are evaluable for inspection by Notzholders at the specified offices of the Agents for the Notes specified below.

VOTING AND QUORUM

A Noteholder wishing to ettend and vote at the Meeting in person must produce at the Meeting ether the Notes, or a valid voting certificate or valid voting certificates issued by an Agent relative to the Notes, in respect of which be wishes to vote.

voting certificate(s) to the person whom he wishes to attend on his behalf or gives woting instruction (on a voting instruction form obtainable from the specified office of any of the Agents specified below) instructing in Agents among the specified office of any of the Agents specified below) A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes of ng an Againtto appointe proxy to ettend and vote et the Meeting in score

Notes may be deposited until the time being 48 hours before the time eppointed for holding the Meeting (or, if applicable, any adjourned such Meeting) but not thereafter with any Agent Or(to the satisfaction of the Fiscal Agent) held to the Fiscal Agent's order or under its control by Euro-clear or CEDELS.A., for the purpose of obtaining voting certificates or giving voting instructions in respect of the referant Meeting. Notes so Aeposited or held will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, being not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is convened, the voting instruction receiping) issued in respect thereof.

- The quarant required at the Meeting is one or more persons present holding Notes or voting certificates or being a proxy or provides end holding or representing in the aggregate not less than a clear majority of the principal amount of the Notes for tha time being outstanding. If within half an hour from the time appointed for the Meeting e quorum is not present at the Meeting, the Meeting will be efformed and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Notebolders). The quorum required to consider the Extraordinary Resolution at such an adjourned Meeting will be two or more persons present in person bolding one or more Notes or voting certificates or being a proxy or provides whatever the principal amount of the Notes to beid or represented by them.
- Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of hands unless e poil is duly demanded by the Chairman of the Meeting or by one or more persons present in person and holding one or more Notes or voting certificates or being a proxy or proxies and holding or representing in the aggregate not less than one-littleth part of the principal amount of the Notes that outstanding. On a show of hands every person who is present in person and produces a Note or voting certificates or is a proxy or proxies in Notes or voting certificates or is a proxy of proxies in Notes or voting certificates or some of the Notes and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so presents hall have one vote in respect of each A\$ 1,000 ho principal emount of the Notes are one or being a proxy of presents hall have one vote. certificate so produced or in respect of which he is a proxy. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been carried or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolu-
- To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than threa-fourths of the persons voting thereon upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the votes given on such poll. If passed, the Extraordi-nary Resolution will be binding upon all the Noteholders, whether or not present at such Meeting and 4. To be pass her or not voting, and upon all Couponhoiders.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanatory Statement, voting cartificates and other documents related to above may be obtained, by Noteholders from the specified office of any of the Agents given below.

FISCAL A	GENT AND PRI Orien Royal B 71 Queen Vic London, Ed	ank Limited, toria Street,	ic agent		
	PAYING	AGENTS			
The Royal Bank of Canada A.G. Gutjeutstrasse 85, 6000 Frankfurt/Main 1.	The Royal Ban (France 3, rue S 75440	ix of Canada,) S.A., icribe,	The Royal Bank of Canada, [Balgium] S.A., rue de Ligne 1, B-1000 Brusseis.		
Landesbank Rhe Internation 6 rue de l'Ancia L-1144 Lune	ni S.A., m Athénée,	The Royal Bank of Canade (Subsri, rue Diday 6, 1204 Geneva.			
This Notice	has been approved member of The Sec	by Orion Royal B writtes Associatio	ank Limited, n.		

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders (the "Notebolders") of the Can.\$ 50,000,000 9% per cent. Notes due 1991 (the "Notes") of Landesbank Rheinland-Plaiz - Girozentrale - (the "Bank") issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 9th October, 1986 mada between the Bankand Orion Royal Bank Limited as Fiscal Agent (the "Fiscal Agent") end others, as amended, hereby. --

- (1) assents to the modification of the Terms and Conditions of the Notes (as printed on the reverse thereof and in Schedule I to the Fiscal Agency Agreement) proposed in paragraph [h] of the Explanatory State-ment issued by the Bank and dated 19th September, 1988, a copy of which has been produced to this Meeting and initiated by the Chairman bereof for the purpose of identification;
- (2) sanctions every modification, abrogation, variation, compromise of, or arrangement in respect of, the rights of the Notcholders and the holders of the Coupons appetaining to the Notes egainst the Bank involved in, or resulting from, the modification referred to in paragraph (1) of this Resolution or any substitution of debtor made pursuant to, and in accordance with, the Terms and Conditions of the Notes as so modified; and
- (3) enthorises the execution of a Supplemental Fiscal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman hereof to give effect to the modification referred to to paragraph [1] of this Resolution".

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an edjourned Meeting which is set out to paragraph [2] of "Voting and Cuorum" below. Copies of the Fiscal Agency Agreement (including the currently epplicable Conditions) and of certain other relevant documents are evaluable for inspection by Noteholders at the specified offices of the Agents for the

otes specified below.

VOTING AND QUORUM

A Nonchoider wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by an Agent relative to the Notes, in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to ettend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Agents specified below) instructing an Agent to appoint a proxy so attend and vote at the Meeting in accordance with his instruc-

Notes may be deposited until the time being 46 hours before the time appointed for holding the Meeting (or, if epplicable, any adjourned such Meeting) but not thereafter with any Agent or (to the satisfaction of the Fiscal Agent) held to the Fiscal Agent's order or under lis control by Euro-clear or CEDELS.A., for the purpose of obtaining voting certificates or giving voting instructions in respect of the relevant Meeting. Notes so deposited or held will be relevant e conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon sorrender of the voting certificate(s) or, being not less than 48 hours before the time for which the Meeting [0, [1 epplicable, eny adjourned such Meeting] is convened, the writen learner for which the Meeting [0, [1 epplicable, eny adjourned such Meeting] is convened, the writen learner for which the Meeting [0, [1 epplicable, eny adjourned such Meeting] is convened, the oting instruction receipt(s) issued in respect thereof.

- The quorum required at the Meeting is one or more persons present holding Notes or voting certificates or being a proxy or promies and holding or representing in the aggregate not less than a clear majority of the principal amount of the Notes for the tima being outstanding. If within half an hour from the time appointed for the Meeting e quorum is not present at the Meeting, the Maeting will be adjourned end the Exmordinary Resolution will be considered et en adjourned Meeting (noice of which will be given to the Notebolders). The quorum required to consider the Extraordinary Resolution at such en adjourned Meeting will be two or more persons present in person holding one or more Notes or voting certificates or being a proxy or proxies whatever the principal amount of the Notes so held or represented by them.
- Every question submitted to the Meeting or the adjourned Meeting will be decided on e show of hands unless e poil is duly demanded by the Chairman of the Maeting or by one or more persons present in person end holding one or more Notes or voting certificates or being a proxy or proxies and holding or representing in the aggregate not less than one-fittleth part of the principal amount of the Notes then nutstanding. On a show of hands every person who is present in person and produces e Note or woing certificate or is e proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Can.\$1,000 in principal amount of the Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy. On a show of hands a declaration by the Cheirman of the Meeting that a resolution has been carried or lost shall be conclusiva evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolu-
- 4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the persons voting thereon upon e show of hands or, if a poil is duly demanded, then by e majority consisting of not less than three-fourths of the votes given on such poil. If passed, the Extraordinary Resolution will be binding upon all the Noteholders, whether or not present et such Meeting and ther or not voting, and upon all Couponholders.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanatory Statement, voting certificates and other documents referred to above may be obtained, by Noteholders from the specified effice of any of the Agents given below.

FISCAL A	GENT AND PRINCIPAL PAYIN Orion Royal Bank Limited, 71 Queen Victoria Street, London, EC4V 4DE.	IG AGENT
	PAYING AGENTS	
The Royai Bank of Canada, Main Branch, Royai Bank Piaza, Toronto, Canada, MSJ 235.	The Royal Bank of Canada A.C. Gutleutstrasse 85, 6000 Frankfurt/Main f.	The Royal Bank of Canada, (France) S.A., 3, rue Scribe, 75440 Paris,
The Royal Bank of Canada, (Belgium) S.A., rue de Ligna I, B-1000 Brussels.	Landesbank Rheinjand-Pfalz International S.A., 6 zue de l'Ancien Athénée, L-1144 Luxembourg.	The Royal Bank of Canada (Suisse), rue Diday 6, 1204 Geneva.
White Manha	has both the second by Onlaw Report P.	

ntice has been approved by Orion Royal Bank Limited, a member of The Securities Association.

MANAGEMENT

A total commitment to quality

was a relentlessly top-down

organisation, controlled from

the centre by a "group of engi-neers and literati" who issued edicts which went into a rule book that was then slavishly

implemented at the operating level. He believed that such an organisation stifled the respon-

siveness that was essential in a

Employees needed to feel responsible for problems that landed on their desk, he says,

not to shuffle them as quickly as possible into their out-trays;

and they ought to work more as teams, ensuring a two-way flow of information and effort,

rather than passing instruc-tions down the hierarchy.

These messages are now being hammered home to BT

managers in an extensive

£10m-a-year quality training

are two main steps towards Total Quality Management. One aspect is to link quality

management to the business

planning process so that the

the normal working environ-

ment. Customer requirements

are identified, goals agreed and responsibilities allocated. Prog-

ress is then monitored against

these benchmarks. The second element is the

establishment of improvement projects by senior managers,

designed to tackle specific

raised hy the rule book.

convention that were inherited

from the years of State owner-ship, Changing these traditions

ne becomes a part of

What they have been taught

programme.

quality iss

so far?

service-oriented company.

Last Thursday the presidents of 14 European multinationals signed a letter of intent to establish the European Foundation for Quality Management.

14

Their intention is to spread the message to fellow manufacturers and service organisations across Europe that traditionally limited concepts of "quality control", "quality

BT: staking its future on its ability to deliver nications division. The com-pany went through a terrible buffeting, he recalls.

pritish Telecom's decision B to join the new Euro-pean Foundation for Quality Management prompts an immediate question. Why should a company which has had its quality problems so mercilessly exposed over the last 12 months lay itself open to the risk of yet more criti-cism and public ridicule?

The answer is that BT is staking its future on its ability to deliver a high quality ser-vice. Last year's furore over hroken-down telephone kiosks and out-of-order lines has, if anything, deepened the company's determination to remould itself into a service-oriented company. lain Vallance, catapulted into the chair-manship in the wake of the crisis, has clearly decided that he will sink or swim on the quality issue.

What the public has seen of this commitment so far is a series of promises to deliver an improved service, tied to finan-cial guarantees if these are not achieved. Under pressure from the Office of Telecommunica-tions, BT has agreed to a testing programme of targets, including regular publication of its performance in responding to customer demands, and compensatory payments when it fails to deliver.

touched everyone - from the chairman to the engineers in Vallance, however, regards the quality issue as far more than these published objectheir little yellow vans. "A big organisation like this tives. He has fixed upon qualneeds values and a common ity as a means of developing a new sense of purpose in the language," he says. "These things don't happen natu-rally." company. For him, quality is a catalyst to help the group man-age itself better; in the process, From this beginning, Vall-ance developed the Idea of Total Quality Management, as it is tagged at BT. His concept he expects it will become much more responsive to the public than it ever managed to be under the bureaucratic of how this would work systems of State management. This approach goes back to derived from what he saw as the weaknesses of the traditional managerial system in

the early days of privatisation, when Vallance found himself in control of BT's UK commu-

management must be extended to every part of an organisation if it is really wants to improve its competitiveness. The EFQM suggests that quality strategies are characterised by:

assurance" and "zero defects" are

inadequate, and that quality

In the space of five years it had moved from public owner-

ship to a stock exchange quota-tion, and from a tightly con-

trolled market to an increasingly competitive envi-ronment. It had responded to

these legislative changes by driving through a radical reor-

ganisation of its own, splitting

its structure into smaller oper-

ating groups and pushing man-

agerial power down the line. At the same time it had

hrought in droves of new man-

agers, particularly accountants

structural changes were essen-

tial to achieve swifter response

to market needs. But he became aware, he says, of a

cultural vacuum as the old principles of public service management, which had grown

up "like coral" over the past 70

years, were stripped away. The initial enthusiasm among the

management team for market-

type disciplines - responsibil-

ity to shareholders, the scru-

tiny of the City, new competi-

tion for telephone services and

the like - was not enough, he

thought, to galvanise employ-ees over the longer term. And

he wanted something that

the new environment.

In the old days, he says, BT

Vallance argues that these

and marketing staff.

excellence of all managerial. operational and administrative processes; a culture of continuous improvement in all aspects of the business; an understanding that quality improvement results in cost advantages and better profit potential; the creation of more ensive relationships with customers and suppliers; the involvement of all personnel; and market-oriented organisational practices.

Claudius Chorus is the executive director of the foundation which operates from Groenewoudseweg 1, PO Box 218 - Building VO-p, NL 5600 Eindhoven.

The articles below examine the very different quality management systems of two of the founding companies: British Telecom, and West Germany's Robert Bosch.



result of the engineers' strike earlier in the year. The most eye-catching part of this epi-sode was the crisis in the callbox service, where standards had fallen to such an extent that only 60 per cent of the company's payphones ware serviceable in soma parts of when these problems hit the headlines, BT moved to tackle them with unfamiliar speed. A

will eventually allow exactly

this to happen - or to put it another way, it should prevent

the serviceability headaches from occurring in the first

Terry Dodsworth

place.

big investment programme in new equipment, already begun, was accelerated to breakneck

attering differential at the second s of quality, says that when the company started the project, all the expertise was in Japan and the US, and he had to go to American consultants to help establish the system. Vallance argues that if the Total Quality Management pro-gramme works as it should, it

prohlems in a highly struc-tured way. Details of the issues Second, the company has now developed a kind of twinare described, targets set, and progress measured. These often involve teamwork and track approach designed to training, another factor in breaking down the old barriers improve its short-term quality performance on the one hand and to teach the new Total Quality Management methods on the other. This involves a So far so good. But what abont the company's progress significant cost, because the short-term measures demand Two points stand out in BT's heavy resources which would not be required if the manage-ment scheme were already producing the results the comresponse. First of all, quality training will be a long-term business. The group has 230,000 employees, and the habits of many are still frequently pany is looking for. embedded in the mountains of

improved profitability. operating standards, a direct

his round spectacles at a sim-ple piece of metalwork just completed by an apprentice. completed by an apprentice. Bosch, alert and sprightly in his late 70s, thought the angle was not quite 90 degrees. He was correct it was not a pre-cise right angle. A photograph of the venera-ble Robert Bosch critically

inspecting the work of the eager apprentice appeared in a special edition of the house magazine marking the centenary two years ago of the group which bears his name. It made clear that for Bosch, both the man and the company. quality was and is paramount. "I have always triad to ensure that only such products are delivered that will stand any objective test - in other words, work that is superior in every respect. I have acted on the principle of rather lose money than the confidence of my customers," said the founder of the predominantly antomotive products group, now owned by a private foun-

Today the aim is the same to give customers the products which best suit their needs in terms of function, reliability, design, maintenance, and ser-vice. But the techniques have become vasily more compli-cated, depending heavily on systems designed to reduce human error to a minimum. Human motivation remains

vital, none the less. "Achieving quality is easier when workers identify strongly with the company, feel at home with it, and know there is a consensus over quality," says Manfred Graf, manager for quality assurance at Bosch.

Bosch, which makes such products as household electrican be removed as early and thus as cheaply as possible. The other is Statistical Pro-cess Control (SPC), through which key manufacturing procal goods, telecommunications equipment, and heavy machinery, is already taking an assertive and more systematic approach to quality. Increasing use is being made of methods that originated in the US, the intention is to ensure quality by preventing problems occur-ring. "Do it once, do it right" is the maxim adopted by Bosch, according to Hansjörg Manger,

according to Hanglory manger, general manager with overall responsibility for quality. Pioneers of quality manage-ment, he added, believe that some 80 per cent of the solu-tion of quality problems lies with management and not, as pling. By aiming to identify prob-lems in advance, both systems go further than the company's own method of quality assess ments, which are carried out when designs are selected, and with management and not, as . often thought, with quality controllers on the factory floor. approved for production. In the It is roughly assumed, Manger says, that it costs 10 times case of FMEA, teams from design, pre-production, and quality assurance thrash out more to put a problem right at the manufacturing than at the all possible defects according

to a regulated procedure. To check that SPC is worklesign stage. Putting the error right once

Fifty years ago, a grey-bearded Robert Bosch peered critically through Bosch: reducing human error to a minimum

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Manired Graf: a consensus

tha product has been made

multiplies the cost a further tenfold. And once in the hands of the customer, the expense of

inadequate quality goes up

another 10 times. So Bosch, along with other,

companies in the automotive sector, has begun using two sophisticated methods in par-ticular to give its quality man-

agemant more discipline through clear procedures,

guidelines, and measurements.

One is Failure Mode and

stage of a product, so that they

cesses are monitored to ensure

that production machinery works well within accepted tol-

erances - in fuel injection systems, for instance, holes of less than a millimetre diameter

have to be drilled. The process is carried out hy random sam-

FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

ing, piants must define all aspects of production which affect the actual function of the product. Each plant's quality assurance department is directly answerable to the management of its division and not to that of group manufac. turing. This is to shorten the link to top management.

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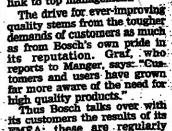
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FMEA; these are regularly updated to take account of product and manufacturing changes. In the case of automo-tive parts such as fuel injection systems or anti-skid hraking systems (ABS), says Graf, "our systems (AbS), says trai, our designers and engineers need to know just how they are being used in the car and under what conditions, and how they will be assembled."

The whole approach is far more integrated, and more stringent, than in previous years. "Preventative quality assurance is a very tough and systematic husiness," says Graf. "It requires a lot of disci-pline, hard work, and energy." Bosch also insists that its sav-eral thousand suppliers adopt SPC. Bought-in parts and mate-One is railure mode and Effects Analysis (FMEA), origi-nally developed in the US space industry. This seeks to identify all potential weak points at the development Srt. Boughtin parts and mate-rials account for over 40 per cent of Bosch's turnover, which topped DM 25hn (\$13.5bn) last year. In future, Bosch intends to

put its suppliers on an internal rating system, conducting reg-ular audits to check how they

Whether in fuel injection and braking systems, house hold white goods, power tools, or communications equipment, Bosch has always had a high reputation for quality. Its commitment to the new foundation shows this. It is concerned to see that its laurels do not fade. As Graf makes clear, though, the array of complex systems it has adopted to maintain and improve quality cannot func-tion unless employees understand how they work and what they are for.

"The message about quality awareness and customer-orien-tation has to come from tha top," says Grat. "The custom-ers set the standard. They must not be disappointed."

Andrew Fisher



lain Vallance: sink or swim will be a littla like turning a speed; and men were poured into the effort to keep the

will be a fitta fike furthing a supertanker - slow, laborious and tricky. Indeed, the scheme has so far only reached half of the managers scheduled to 80,000 phoneboxes in order. At the operating level, the solu-tion worked splendidly, push-ing serviceability well over the 95 per cent level. But it has attend the workshops. To compound the problem of altering direction, BT has been been expensive in resources, a point that is underscored by the virtual halt in BT's redun-

dancy programma since it began to tackle the main fail-ings identified by the critics. The longer-term question, therefore, is whether BT will be able to hold on to these gains while reducing the cost of the resources put into solving the prohlem.

place. If it achieves this happy state, BT will be living up to one of the promises made to potential investors during the heady days of its flotation roadshow: that quality would lead to growth and therefore to improved profitability. The hest example of this problem is BT's reaction to the 1987 furore over the slump in

EFOM **₹**

dation, in 1918.

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Hair-raising: Patricia Payne and Andrew Shore as the court villains in Opera North's production of Prokofiev's fairytele opera

ARTS

The Love for Three Oranges GRAND THEATRE, LEEDS

Prokofisv's fairytale opera, after a Carlo Gozzi comedy, can take as much designing as anyone wants to throw at it: the tale cries out for that, and the simple but racketty score will always fend for itself. The new Opera North production by Richard Jones (sponsored the Friends of the company) is perfectly attuned to its designs, the funny-peculiar tale and the score. It has all the marks of a team effort in which everybody has had a very good time; certainly the Leeds audience did on Saturday. The popular Corsaro-Sendak

version for Glyndebourne com-bined monstrous 3-D cartoons (Sendak) with hyperactive wandeville (Corsaro). Here too there is a cartoon infinence, but distinctly Gothic - some-thing between Charles Addams and East European animated films. In fact the sets are by the Brothers Quay, an original American pair whose films in that latter style have been seen on Channel 4; they are matched by Sue Blane's cos-tumes, creepily comic cre-ations on their own, and by nowad Michael Ward's hair-raising fright-wigs and makeup. Mak-

ing full play with all that, Richard Jones contributes his moaning and singing to excelown gift for drawing grotesque lent purpose and contriving to physical comedy from opera ac-tors, already much admired in Judith Weir's A Night at the look like Peter Tatchell. Mark Glanville and Alan Oke as the King and his confidant are Chinese Opera. David Lloyd-Jones conducts the English Northern Philharripely gloomy, and Peter Harrhy is a perky Jester. There is a superlative trio of court vil-lains: Patricia Payne looming monia with vim and properly flerce colour, but allows his in black leather, Andrew Shore as the most Addamsish figure cast to make the words tell too - possibly because the crisp translation is also his work; the Grand Theatre is anybow of all and Maria Jagusz as the horrid, little delinquent Smer-

very friendly to sung words. Slightly quicker musical reac-Someone had the inspiration of inviting Pauline Tinsley to play the witch Fata Morgana, which she does with staunch tions from the conductor to dramatic coes would be a menace, and there is a good charlatan-sorcerer Chelio from bonns. Anthony Jenner's multiple chorus, who are kept busy Roger Bryson. The minor demon Farlarello, who propels as teams of warring spectators, courtiers and demons as well the travelling party by wind, is as a troupe of hespectacled Mark Lufton, equipped as musio-hall compères are impec-

cably lusty, abetted by a tribe of demonic infants. Opera cho-ruses get livelier and livelier noted in the programme credits: "flatulence by Chubb Fire". Not for the first time, I think, The fey hero - the hypo-

the giant, ladle-wielding cook who can't resist a pretty ribbon is impersonated by Richard chondriacal Prince, besotted by oranges - is Peter Jeffes, Angas with tender relish. As the two Princesses who survive release from their

London too.

oranges only for a couple of minutes, Lesiey Roberts and Victoria Sharp are appealing: so is the luckier third one, Juliet Booth. The oranges themselves are among the less inspired props, though: some-thing more seriously cuttable-open would be better. Otherwise there is a satisfying battery of magical effects, and the opera is played sensibly with just a single interval. It is on

David Murray

Furthermore, his choice of shorter pieces signalled an alert interest in music both its way to Nottingham, Man-chester and Hull; since it is new and British, which makes him a doubly welcome guest. The LSO seem to have picked billed as a co-production with English National Opera, we themselves a winner. For this concert Oilver may look forward to having it turn up one of these days in

phony.

Knnssen had composed a starter (and actually finished it in time!), a "Flourish with Fireworks", convointed hnt concise, witty and effective. Besides the exercise of hulld-ing a piece properties of hullding a piece npon the note-equivalents of "LSO" and "MTT", Knnssen had fun transmogrifying hits of yoong Stravinsky's "Fireworks".

15

London

BARBICAN HALL

Symphony

Örchestra

Last night Michael Tilson

Thomas made his first appear-ance as the LSO's Principal

Conductor on their home

ground. It was more than

an already close, sympa thetic rapport with the orches-tra – canny enough to trade

generonsly npon their special strengths - and thereby secured a splendid

performance of a great work, Mahler's Ninth Sym-

anspicious": he demonstrated

Then came a potent frag-ment from Rohin Holloway's opera Clarissa , after Samuel Richardson and so far unprodnced.

In the heroine's crucial scena, the soprano Anna Steiger ient passionata weight to the case for finding a stage home for Ciarissa as soon as possible. Tlison Thomas took great care over Holloway's many-levelled orchestral textures, though there were still moments of uncertain balance - the post-romantic sound of the score half-conceals some tough complexities. At a Prom last Sunday, I

thought Tilson Thomas too ready to linger rapturonsly over early Mahler mood-music in Das klagende Lied. No such complaint abont his sinewy account of the infinitely richer Ninth Symphony: it lingered - and very beautifully - only where prescribed, in the later pages of the closing Adagio. (There was caim, exquisite chamber-playing there, too, from the first-desk winds.)

This conductor's beat notoriously involves whole-body his-trionics; evidently they secure him the orchestral results he wants. They distract, I think, only when they make what he aims at so obvious to the audience too that we strain to hear whether the orchestra will do justice to it. This time they regularly did, and with a fervour equal to anything other conductors have drawn from The dangerous Rondo-Bur-lesk went at a crackling pace, but retained a sharp profile. In The chorus was Norrington's faithful Schütz Choir of Lon-don, and the stylish quartet of soloists Edith Wiens, Linda Hirst, Patrick Power and David Wilson-Johnson. The ultimate the preceding movement, Til-son Thomas chose a hasic tempo for the comically wry La andler that was a triffe hrisk for Mahler's deadpan jokes, but the up-tempo dances rocked excitingly. The glory of the perfor-mance was shared with the Adagio hy the opening Andante comodo, which the conductor obviously underaside, was this Ninth as stir-ring as a performance with massed choirs and iuxuriant orchestral sound? There was little dealot of that. Norringstands in every detail. It was brilliantly paced and pointed, with its elaborate polyphony ton's approach was intrinsi-cally dramatic. Every detail was directed towards hringing the music to life as vividly as possible and it gelled with made uncannily clear. The LSO could still use practice in achieving sustained, genuine pianissimos;perhaps Tilson Thomas will attend to that.

A talent that is no laughing matter Colin Amery assesses the work of a traditionalist with an anarchic sense of fun

like the architecture of Piers Gough because It makes it very difficult for anyone to know what to say about it. He is putting architectural writers to the test with the first major retrospective of his firm's work, on show at the Royal Institute of British Architect's Heinz Gallery in Portman Square, Lon-don, W1, until October 22. It is appropriately entitled English Extremists – the Architecture of Combell Zogolovitch Wilkinson Gough.

ARCHITECTURE

In line with the now inevitable propensity for elaborate jests coming from this practice, the exhibition is simply a joke. Luckily it has an indulgent sponsor in Andrew Wadsworth of the Jacobs Island Company, who has happily paid to fill the Heinz Gallery with this junky display that obviously set out to say: "let's send up architec-tural exhibitions — the public don't enjoy them or under-stand them - let's make it all

So you have glass cases filled. with water and live fish; a crashed London taxi; a crafte tree sculpture and piles and His ability to absorb ideas piles of rolled up drawings from Lutyens and transform chucked into the hotiom of dis... them convincingly was most

play cases. It all has the air of a first year Architectural Asso-ciation student show - and a rather desperate air at that. Particularly repellent are the display panels covered in a vis-cous membrane that looks as though someone has torn the skin from a dead sheep.

skin from a dead sheep. There is no point in asking why this practice, which designs major buildings, wants to continue to fool around. When they are all old they will still be wearing their funky specs and gigging, but at least they will know that behind it all is some agrices work. I can-

firm's work in the catalogue is rewarding. It deserves serious discussion, and there is no doubt that the built in silliness

Exhibition at the Hayward Gel-

pleasurable and acce

impressive; he has great archi-tectural and historical knowledge and all his work is informed by a sense of tradi-tion. I perticularly like his 1985 transformation of a suburban bungalow in Gerrards Cross into an engaging exercise in Art Nouveau revival. A canopy ed on a Guimard design in Paris gives style even to the garage extension. In this tiny house there is an enjoyable

clutch of reinterpreted sources - from Voysey to Darmstadt. More obvious, hut equally enthralling is the studio for trompe l'oell artist Lincoln Selignan, where a lead roof is prised open and the walls are rolled back as though they were made of paper. As owners come to look like their dogs, house by this form offen area, all is some serious work. I can-not recommend a visit to the exhibition, but examining the houses by this firm often seen to resemble the character of

has postponed this. I worked with Piers Gough when he designed the Lutyens lery in 1982 and found him a hrilliant designer, friendly, funny and often inspired. I felt, as he did, that architectural exhibitions intest be seducive,

His ability to absorb ideas from Lutyens and transform

lucky to find a London site large enough to give her a gen-erous four-storey house. It has been built right to the street with the facade shaded with four colours of brick to look as though it is permanently in light and shadow. The lattice windows with their concrete lintels cast in the shape of logs are incongruous for the area, but seem to make sense with the aquamarine roof tiles.

The house looks, from the outside, to have a sort of jagged charm. Photographs of the inside show the circular geometry of most of the rooms and the strong personal tastes of the owner.

Three other buildings deserve attention. The first is on a business park close to the junction of the M4 and M5 called Axtac West. The plan of their occupants. The converted this brick box is as you would expect, but drama is caused by tower in Docklands for Mr Andrew Wadsworth with its domed bedroom, billiard room bites taken out of two corners, making them semicircular and almost Art Deco in their and Hollywood style staircas to the stars is a *tour de force of* post-modern elaboration.

curves and striped brickwork. The second building is unmissable if you visit the Not enough people ask archi-tects to design their houses, but the practice's latest house London Docklands. The Cas-cades on the lake of Dogs has been described by the architect as the foothills of Canary is in Clerkeuwell for Miss Janet Street-Porter - who was

Wharf. It is a high-rise for yup-ples and has the air of a grain silo or something nautical with its portholes and banded hickwork. In my view it is one of the practice's least successful

The third project of interest

ally English in originality and sometimes perversity. The firm reminds me of the late Harry

Shades of Art Deco: the building designed by CZGW on the Aztec West Business Park, Bristol

schemes. Docklands needs some large-scale edifices, but they need more care than this. is a craft workshop block at Bryanston School in Dorset. Using the language of the existing large-scale Norman Shaw school Gough has made hay with the huge, stone-finished corkscrew columns and strong brickwork. It is entirely appropriate for the site, and adds some architectural strong meat to a campus that was developing along very unsatis-factory dated modern lines. This practice always sur-prises, remains impossible to categorise and yet is tradition-

Goodhart-Rendel, now an obscure hero of the fogies, and I suspect that its reputation will be very like his in the archives of architectural his-tory. I wish I could commend the exhibition, but I certainly commend the architects.



Penultimate Night of the Proms

Die Entführung aus dem Serail

COVENT GARDEN

a host of unsatisfactory perfor-mances of this opera in the past season it was starting to look as though there were no. look as though there were no singers who could manage the role of Konstanze left and an opera that should be mailtoyed delight had turned into a trial, as the audience crossed its fin-gers and gritted its test; every time the source of the even-

time the sourano of the even-ing opened her mouth. So it is good to report that at last we seem to have the answer. The Royal Opera-mounted its new production of Mozart's Die Entführung cus dem Serail last year and the first run of performances was not without its drawbacks, on the production side as well as the vocal. But, for this revival Elijah Moshinaky has returned to re-study his production, to re-study his production, excising some of the more

Beethoven Plus is a series of concerts between Suptember 18 and Becember 10 which week

to set the composer's music in the context of his own time. The work of over 30 of Beshoven's contemporarise will sho be for-tured. Royal Pestival Hall, Queen Elizabeth Hall, Purcell Room.

(328 313). Academy of St Martin-in-the-Fields conducted by Neville Mar-riner, with Murray Pershia (piano). Cherubini, Besthoven. Royal Festival Hall (Mon) (325

SISI). City of London Sinfords con-ducted by Richard Elekor, with Elekoven Harrhy (Soprano).

Ekdwen Harray (soprano), Alfreda Hodgson (contralbo), Philip Langridge (tenor), John Graham-Hall (tenor), Donaid Marwell (bass), Lomion Sym-phony Chorus, Schubert, Mozart, Barbican Hall (Tue) (638 8901). Royal Philharmonic Orchestra conducted by Antal Dorati, with Edity, Wigne (anarany) Della

Edith Wiens (soprano), Della

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London

E STORE

MUSIG

Sighs of relief all round. After doubtful elements and gener-a host of unsatisfactory perfor- ally supervising the stage

Action. The front cloths by Sidney Nolan have gone, as have the intrusive be-wigged 18th-cen-tury courtiers. And if what we action. are left with sometimes seems little more than a pale, Turkish backdrop, which rarely gives us the feeling that we are in a band where cruelty and pession are lurking below the surface, it does at least allow the per-formers to play the opera in

their own style. The present cast are youth-ful, agile and - most impor-

ful, agile and — most impor-tant — they can sing the notes. As word gets around that the Italian soprano Mariella Devia makes light of the difficulties in this opera that the most sopranos in knots, every opera house will want her as their Konstance. The voice is not

region.

Vincenza

large and can sound brittle, but it is an instrument whose range increases, the more one hears it. Every shade of quiet, interior singing is within its reach and the flexibility is

nemarkahle. It is a rare treat these days to hear the high-lying colora-tura of this role's three main

....

tura of this role's three main taxing arias, sung with case and finency: a wholly admira-ble Royal Opera debut. With Robert Lloyd in equally good voice as Oamin, a sharply intelligent and lanky figure, rather than the usual humor-ously-threatening massive hulk, the revival has brought together a fine cast. Deon van der Walt repeats his stiff and wristocratic, cor-rectly-sung Belmonte; and the Blonde and Pedrillo, Lillian Watson and Lars Magnusson,

Watson and Lars Magnusson, are as delightful a supporting

ARTS GUIDE

pair as ever. Oliver Tobias is the Pasha Selim, very much an actor

among singers. It is extraordi-nary how the difference in voice projection tells. In the pit Jane Glover, the second woman to conduct at Covent Garden, led a basically lively performance, whose vis-our through most of the score made up for a tendency to underline moments in the slower music with unwanted emphasis.

When she appeared for her curtain-call at the end, she was wearing a natty pair of Turk-ish trousers. "Harem pants" the woman behind me called them, though what the enlight-ened Pasha Selim would have to say about that I am not SUITE.

vists. Mark Elder conducts, and Helen Field, Arthur Davies and Akn Opie are the principals. Pountney's ugly, coarse-grained modern-dress Caumen sports at least a fine cast (including for Picture Tomest) and

ALBERT HALL, RADIO 3

As far as the 18th century is noon historically-faithful and in its ensuing fugato to concerned the argument for , instruments, but in his selection give extra power to the first authentic performing styles is thon of tempi. They stick entry of the full chorus. surely over bar a modicum of shouting. The battleground has now moved to the heartland of the orchestral repertory, the 19th century, and to Beethoven in particular, and the period-instrument performance of the Ninth Symphony on the last Friday of the Proms should have marked a significant advance in the public percep-tion of period performances. The orchestra was the London Classical Players and the conductor Roger Norrington, and their account was charged with intense physicality and excitement, from the brusque-ly-clipped opening phrases to the final peroration. The most controversial

Richard Fairman aspect of Norrington's interpre-tation is not his insistence

exactly to Beethoven's pre-scribed metronome markings, and sometimes prove to be substantially faster than the norm nowadays. The Adagio moves at what would be construed as a modern Moderato yet seems perfectly comfortable and coherent, and builds to a rapturous climax, the recitative at the opening of the finale takes on an entirely fresh character when kept strictly to tempo. But Norrington is signifi-cantly slower than usual in the

trio, allowing the wind solos to be phrased with extra elo-quence, the Turkish interlude of the finale, where the march acculation of the line of the solor acquires a real militaristic tread and the tenor soloist is for once given the space to deliver his lines expressively,

September 16-22

and Ashley Putnam. Das Gau-klermarchen, composed by Ger-hard Konzelmann received con-

David Murray

Success or Failure BATTERSEA ARTS CENTRE

Andrew Clements

test of any interpretative inno-

vation lies in its ability to pen-etrate to the core of a work.

Setting historical niceties

thrilling precision.

To one side of the stage huddles a gentle dosser. We have seen him before in other plays - the figure whose alien-ation from Thatcherite values is so complete as to have earned him *ex machina* status. Yet he remains the most inter-esting character in Gioria Hamilton's rough-and-ready musical morality play: the wry commentator on a street world that confuses values with the price of ganja and maintains the difference between success and failure is the difference between kicker and kicked. The Baron is definitely a kicker - the loving father, though hardly exemplary hus-band, who thumps £500 down on the table each week by way of domestic appeasement. In his other life, he is Mr Bad pimp, drug runner, nightclub boss - who hooks the girls with easy money, then makes them work for it. Again it is a familiar starting point for a plot which brings him to his

and singing songs which put the pursuit of money in its proper, ludicrous context. Tom Eyre's score works here where elsewhere it founders in a structural uncertainty: a soul number delivered hy Julie Saunders as the gullible good-time girl Denise has lyrics so derivative of a Stylistics' hit that one must assume the take-off is deliherate. The words' "You make me soal words "You make me feel hrand new" in the context of a meeting with a pimp are clearly intended ironically, but there is a danger of the irony backfiring when the song does not seem brand new at all. The cast themselves set

about their work with the sort of energy one has grown to expect from Umoja over the years - A.J. Simon, as the Baron, effects some lightning costume changes to make the transition from loyal manabout the house to cut throat king of the streets, and seems as yet more comfortable as the former than the latter. Elaine Grant plays the long-suffering Joyce with a suck of the teeth that becomes a wilful tut-tut as she turns the tables on him. Her transformation from housekeeper to (honest) businesswoman effectively turns the play into a fairy story plucking the sting from its tail as we always suspected she would

Claire Armitstead

for 1996. London Meanert Players and London Choral Society, Lon-don Bach Orchesira and London Bach Chorus, Scottish Chamber Orchestra and Pleerdy's regional orchestra and choir will be per-forming in the Saint-Quentin busilics, in the estheticals of Beauveis, Noyce, Senils, Laon and Anniens and in other churches and shapels of the region. New York New York Philhermonic con-ducted by Zubin Mehta. Webern, Schönberg, Schubert, Avery Fisher Hall, Lincoln Center (Mon).

Washington .

(822 0727).

London

Waterningcom National Symphony conducted by Matislav Rostropovich. Ber-stein, Haydn, Brahms. Kennedy Center Concert Hall (Mon). Matis-iav Rostropovich conducting Mozart, Sallmen, Greig, (Tus, Wed, Thur) (254 37%).

Vincenta Festival. Madrigals of Lows and War (Guerrisci et Ahorou) by Montevenii per-formed by the Concerto Ensem-ble conducted by Roberto Gini, Testro Glimpico (Mon) (54.61.11). Tokyo Tokyo Philharmanili Orchestra conducted by Harbert Ragel. Mahler. Suntory Hall (Jéan) (371 5101). che Bacheolisian play

OPERA AND BALLET

Boyal Opera, Covent Garden. Etilah Moshinsky's 1967 produc-tion of Mozart's Secapio returns to the Covent Garden repertory.

Jane Clover unices har house debut as conductor, and the cast includes Mariella Devia, Deon van der Walt and Robert Lloyd.

of Turandot has Gwyneth Jones in the title role and Edward

Downes as conductor. English National Opera, Coll-

seum. First new production of the ENO season is David Pount-ney's radical staging of La Tra-

• • • • •

Wiener Mozart Orchestra, Moz-art, Sofiensele (Wed). Vienna Philharmonic Orchestra conducted by Leonard Bernstein, with Wolfing Schulz (fhite). Beethoven, Bernstein, Brahms, Konserthaus (Thurs) (72 12 12).

Basiles'

(Thurs).

Kann Wiens (soprano), beha Jones (mezzo-soprano), Robert Tear (cenor), John Tomlinson (bass), Brighten Festival Chorus. Mozart, Beethoven, Royal Festi-val Hall (Wed) (928 3191). London Symphony Orchestra London Symphony Orchestra directed by Friedrich Guida (piano), Mozart, Guida, Barbican Hall (Thur) (638 8591). Academy of St Martin-in-the Fields conducted by Sir Neville Marriner, with Murray Perahla (piano). Weber, Beethoven, Royal Pestival Hall (Thur) (328 5191).

Picardy region

The first festival of cathedrais of European music takes place from September 15 to October 2. Britain is the guest of bonour

Munich Philistemonic Orchestra conducted by Sargin Celebidache. Schubert, Tobalkovsky, Philiparmonie (Wed). Cologoe,

Stasightlingmonis Rheinland Pfaiz conducted by Leif Seger-stam, with Anne-Sophie Mutter (violin). Strauss, Berg, Mahler. Philharmonie (Mon). Gepheus Chatabair Gechestra with Heins Holliger (oboe). Mos-art, Strauss, Eiliott Carter, Ives, Tchelkovaky, Philharmonie (Thara).

.

Jean Righy, Jacque Trussel and Sergey Leherkus) and conductor (Yan Pascal Torteller). The im-ply staged wartime in Mussoli-nt's Italy Tosca production by Jonathan Miller has the vivid Lonion Column in the title wire Janice Caims in the title role, Edward Barhsm, and Malcolm Donnelly (836 8161). Sadler's Wells. On September 30, Michael Clark, emant terrible of post-modern dance, starts a season with his own peculiar tribute to William and Mary. Not for the squeamish (278 8915). Peris Bach. Suntary Hall (Tuss) (289 9999). Tokyo Metropolitan Symphony Orchestra, conducted by Yuzo Toyana, with Yoahlo Unno (vio-lin). Beethoven, Shostakovich. Tokyo Bunka Kelkan (Thurs)

Opera. Verdi's Rigoletto con-ducted by Alain Lombard/Alain Guingal returns to the Palais Gamier after 18 years' absence with Neil Shicoff/Taro Ichihara as the Duke of Mantus, Alain Fondary/Manuguerra as Rigo-letto and Alida Ferrarini/Christine Barbaux as Gilda (474 25750).

Vienne

State Opera. In repertory: Pelleas et Malisande, conducted by Clau-dio Abbado, with Frederica von Stade, Christa Ludwig, Malcolm Walker. Tanz-Schule, Ballet (Pre-mière), by Mauricio Kagel, con-ducted by Arturo Tamayo, with Ballet d'Action. La Fanciulla del Weet conducted by Anton The savagely extiic and fascinat-ing Andrei Suthan production del West conducted by Anton Gandagno, with Waltraud Win-sauer, Silvano Carolli. Otello conducted by Adam Fischer. with Gabriela Benackova, Mar-garita Lilows, Georg Tichy, L'It-aliana in Algeri conducted by Claudio Abbado, with Georg

Tichy, Agnes Baltsa, Patrizia Pace (51444, ext 2660). Pace (51444, ext 2660). Volksoper. In repertory: Die has-tige Witwe, conducted by Kourad Leitner. Casparone by Mullocker, conducted by Rudolf Bibl. Der Freischütz, conducted by Diefr-ied Barnet. Tiefland by d'Albert, conducted by Kourad Leitner. conducted by Konrad Leither. Kin Walzertraum by Oscar Strans, conducted by Rudolf BibL Der Opernhall by Richard Heuberger (51444). Berlin

Bortin Deutsche Oper. Götz Friedrich'e production of Falstaff has fine interpretations by Karan Arms-trong, Carol Malone, Ingvar Wix-ell and Wolfgang Brendel. Elek-tra returns with Ruth Hesse, Ute Vinzing, Hans Beirer and Gerd Feldhoff. Katje Kabanowa has a strong cast led by Patricia Johnson, Karan Armstrong, Helga Wisniewska and David Griffith.

deni, Leo Nucci and Harald Stamm. The revived production of Eugen Onegin, sung in Rus-sian, is the highlight of the week. The cast stars Bernd Weikl in the title role, Karita Mattila, Daphne Evangelatos and Kurt Moll. Der Barbier von Sevilla brings Celibia Bartoli, Leo Nucci,

Opera. Gounds' Faust has its première this week, produced by Willy Decker with costumes by Martin Ruprecht. In the main parts are Josef Protschka, Ferru-cio Furianetto, Ladwig Baumann

troversial reviews on its première last week. Die Itali-enerin in Algier is a competent repertoire performance. Bonn

Opera. Il Barbiere di Siviglia stars Alice Baker and Alessandro Corbelli. Grace Bumbry is accompanied by Jonathan Morris in a lieder recital. Fidelio, with Michal Shamir, Reiner Goldberg and Douglas C. Johnson, rounds

New York

Hamburg Staatsoper. Der Troubadour fea-tures Sharon Sweet, Ruza Bal-

Giorgio Tadeo and Jewgenif Nesterenko together.

Cologne

Pratico.

Frankfurt

off this week.

New York New York City Opers (State The-eter, Lincoln Center). The week features the world première of Jay Reise's Rasputin, which was commissioned by the company, and is conducted by Christopher Keene and directed by Frank Corsaro, with John Cheek in the title role. The week also includes the season's new procome-uppance via a pick-np who just happens to be an old friend of his wife's. Victor Romero Evans and Hamilton herself direct a play which for all its ramshackle structure and received ideas. includes the season's new pro-duction of Rigoletto, conducted has its moments. The use of by Elio Boncompagni and devised and directed by Tito Tony Marshall as Dosser is a case in point - he weaves in Capobianco, along with Lucia de Lammermoor, Rasputin, Die Zauberflöte and La Traviata and out of the action, at one point conspiratorially offering a drugs-runner a toy pistol,

Bonn Opera. Semiramide, the first pre-mière this season, produced by Pier Liugi Pizzi, has an interest-ing cast led by Cheryl Studer in the title role, Kathleen Kuhl-amnn and Jean-Phillippe Lafont. Graham Vick's successful pro-duction of Don Pasquale is revived with Rolando Paneral, Angela Maria Blast and Bruno Pratico.

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FINANCIAL TIMES

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Monday September 19 1988

Partnership in training

The UK Government's plan to set up local industry training councils, with responsibility for matching training to job creation in local labour mar-kets, is in general a welcome development.

One of the strengths of the West German training system is the role chambers of comis the role chambers of com-merce play in designing and delivering training. In some large cities in the US, private industry councils have very effectively brought together schools, colleges and busi-percent to develop training tap nesses to develop training tar-geted at the needs of local

Britain could benefit from such a local infrastructure of employer based training. Employers in Swindon, which has experienced a rapid growth in service jobs in recent years, have different skill needs from those in Skelmersdale. They certainly face different labour market pressures: Swindon has close to full employment, while male unemployment in Skel-mersdale is still close to 20 per

Managed properly, the councils could create what Britain cus could create what britain sadiy lacks: a collective, grass-roots commitment from empioyers to tackle their shared training problems. But the precedents are not encourseing Local Employer

But the precedents are not encouraging. Local Employer Networks, which were launched in 1986 to encourage employers to develop more sta-ble relations with the education service, have got off to a stumbling start. None of the 105 so far set up are self-financ-ing as orlginally planned; many are playing only a lim-ited role.

Under-investment

To avoid local training coun-cils suffering a similar fate, the Government must give them a proper training budget. The Government's white paper on training, to be published in November, should ensure that a substantial part of the Train-ing Commission's f3.1bn hud-get is dispersed to the local councils. Without it they could become just another talking

But training is not a purely local issue. The recent OECD survey of the British economy, was the latest in a long line of reports which have identified a ment over training policy.

national under-investment in skills, which needs to be addressed nationally. To be effective, local initiatives will have to work in tandem with a national strategy, developed by a national agency. Mr Norman Fowler, the speech was principally about Soviet foreign policy in Asia and the Pacific

foreign policy in Asia and the Pacific region, an area of the world where the US and the Soviet Union – and increasingly Japan – are competing for influence. It expands his ideas for *détente* in Asia, floated in a similar speech in Vladivostok in July 1986, which, he feels, had a disappointing lack of results. Like many of his set-plece addresses, it encompasses a Employment Secretary, last week announced that the Training Commission, the only agency capable of developing and delivering such a strategy is to be abolished. He has offered little justification for this move. The Commission has developed a range of train-ing programmes which will plece addresses, it encompasses a mass of ideas, making it difficult to find the likely wheat among the heap of obvious chaff. play a permanent role in the labour market: it may be cumbersome, but it has not been has again exercised his consumn

New agency

ineffective.

ekill at taking the initiative. At a point when US influence in the region is widely perceived to be in relative decline, he has put Washington on the spot at the worst possible time. The US is in the middle of its presidential The Commission will be replaced by a new national US is in the middle of its presidential election campaign; it is also embroiled in difficult negotiations over US bases in the Philippines, the outcome of which could significantly affect its naval role in the Pacific. At the same time, Mr Gorbachev is persisting in his pressure on Peking for warmer relations and the first Sin-o-Soviet Summit since 1960 Vesterlay agency. But as yet the Government has not given any reason why it should not simply be med the Training Corpora

What attracted most attention was Mr Fowler's announcement that he was removing the policy making powers of the Training Com-mission's 10-strong governing body. This had become inevita-ble after the TUC Congress two weeks ago voted to boycott the Employment Training pro-gramme, the Commission's largest programme. It would be impossible for the TUC's three appointees to the governing body to continue to take responsibility for a programme they were committed to boy-

But by sweeping away the governing body, rather than just the TUC's nominees. Mr Fowler has also excluded the CBI, local authorities, and the education sector from having a contin training policy. say in training policy. Tri-partism lasted at the

gaining more access to Japanese tech-nology and finance has been Tri-partism lasted at the Training Commission for very good reasons. The Government needs the support of employ-ers, unions, local authorities, and voluntary organisations to deliver its training pro-grammes. If Mr Fowler is not to conforme their support for thwarted. His nimble foreign policy, melting Cold War grievances, has managed to achieve only a slight thaw in the icy field of Soviet-Japa-nese relations. The Soviet occupation since 1945 of four islands in the Kuriles chain remains a fundamental dispute. Because of this, Moscow and Tokyo still have not signed a peace to endanger their support for future initiatives, he should make clear what role they can expect at a national and local level in advising the Govern-

treaty ending the Second World War. The two most eyecatching elements in Mr Gorbachev's proposals, howe an one bases in Vietnam if the US closes its bases in the Philippines; and a pro-posal relating to a controversial future of the US bases in the Philip-pines are deadlocked. There are six such bases, but two Soviet radar station in Krasnoyarsk, the Siberian city 2,000 miles east of Moscow where Mr Gorbachev chose to which really matter. Clark air base and Subic Bay, the US Navy's key location in the Asian Pacific. Tha Moscow where Mr Gorbachev chose to make Friday's speech. This buge radar station, 30 storeys high, is seen by the US as an obstacle to progress in the Geneva talks aimed at halving US and Soviet arsenals of long range nuclear weapons. The US claims the radar station will provide the foundation for an anti-ballistic leases run out in 1991 and renewal talks have not begun. The current negotiations are a "review" of the terms for the two years to 1991, with the US offering to raise the present payment of \$180m a year to \$502m a year and the Manila Government demanding \$1.2bn a year. OBSERVER New caution

Robin Pauley assesses Mikhail Gorbachev's Asia-Pacific proposals

USSR

MONGOLIA

CHINA

KAMPUC

Kraanoversk

When Moscow looks east

r Mikhail Gorbachev, the Soviet leader, made a speech in deepest Siberia on Friday which ruined the weekend for thousands of governthe weekend for thousands of govern-ment officials around the world. In Washington, Peking, Japan, Tokyo, New Delhi, Seoul, Pyongyang and Manila, to name but a few of the interested capitals, the lights burned late as papers were burriedly pre-pared for ministers and presidents anxious to know what on earth it meant - if it meant anything at all. Mr Gorhachev's wide-ranging speech was unincipally about Soviet

What is clear is that Mr Gorbachev

o-Soviet Summit since 1960. Yesterday

he got the best response so far when Mr Li Peng, China'a Prime Minister, said guardedly that a summit could take place If lower level meetings bring the two sides closer together.

Yet behind the beadlines about

summits and base closures, the real key to the speech may be as much economic as strategic. If the Soviet

Union could improve its diplomatic and economic links with Tokyo and

the rapidly expanding Asian econo-mies, Moscow would, at one bound, achieve a number of long cherished

aims. It would become a major strate-

gic player in the region; allay anxi-eties about its desire for regional dom-

mance; and help its own vast country enormously, particularly its impover-ished east Asian regions.

Thus far, Mr Gorbachev's aim of

Gorbachev's Asla-Pacific proposals

- will not increase nuclear weapons; Soviet Union: calls for freeze by US and other
- proposes talks on: non-increase of nuclear powers
- naval forces; lowering confrontation at key points; making the Indian Ocean
- at key points; making the Indian Ocean a zone of peace will leave Cam Ranh Bay if US scraps bases in Philippines proposes to convent Krasnoyarsk radar station into international space centre; expects US to alleviate Soviet concerns over radar in Greenland and UK
- and UK suggests a "negotiating mechanism" for talks on Asia-Pacific security, involving Soviet Union, US and China urges China and Vietnam to hold direct
- talks on Kampuchea wants preparations for Sino-Soviet

missile defence banned by the 1972

ABM Treaty. The Soviet Union says it is anxious to get the Geneva talks moving. Last October it offered to stop construc-tion; last month it offered to disman-tle the radar equipment — if the US committed itself to the ABM treaty for 9-10 years and accepted an interpretation of the treaty which would effectively stop it from testing and deploying the Strategic Defence Initia-1 space

Summit

On Friday Mr Gorbachev offered to turn the radar station into an international study centre. The quid pro quo this time is that the US should take "corresponding steps" over its radars in Thule, Greenland, and at Fyling-dales on Britain'e Yorkshire moor-lands, which, according to Moscow, contravene the 1972 treaty. The initial US response remains "no chance". Mr Gorbachev will now, however, be able to claim that he has offered three separate ideas, one involving disman-tling the station, within the last 12 months. Meanwhile, he still has an important radar facility tracking traf-fic over the North Pole.

The offer to close two Soviet bases in Vietnam in return for US ahandon-ment of its bases in the Philippines is not new. But Mr Gorbachev is bring-ing it up again at a difficult moment for the US. With the presidential election only two months away, the White House and State Department are increasingly paralysed by the cam-

island of Guam at a cost of more than \$10bn - if Manila does not moderate its demands.

to be sanguine about the threat, although a US departure would blow a great hole in the fragile local economy. The Japanese might fill part of that economic hole - but so too might the Soviets. As Mr Gorbachev

It is Japan which may be the real long-term target of Mr Gorbachev's diplomacy. It is an economic superpower, yet only 1.5 per cent of its exports go to the Soviet Union

a quarter of the world's population: a huge potential market. It is a country with good relations with the US and slowly improving links with Japan. Mr Gorbachev is keen to restore rela-tions between the two Communist superpowers. On Friday, he was care-fol to express more respect for China pushing for more trade. But it is also strongly restating a Soviet request for its shipping to be allowed to make use of the docking facilities at Philseco, situated in Subic Bay of all places. ful to express more respect for China than hitherto, and acknowledge it as an important Asian power. He wants The Filipinos are listening atten-

boils down to lowering tension wher-

FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

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boils down to lowering tension wher-ever borders converge around the Korean parinsula. This would pave the way for the Soviets to build an economic relationship with South Korea, a goal currently blocked by the hostility between the two Koreas. But it is Japan, underplayed throughout the speech, which may be the real long-term target of Mr Gorba-chev's diplomacy. It is an economic superpower, yet only 1.5 per cent of its exports go to the Soviet Union and 1 per cent of its imports come from there (substantially behind China and South Korea on both counts.) Japan recently abandoned the cell-ing of 1 per cent of GDP on its mili-tary expenditure; though still well under 2 per cent of GDP, this is now the world's third largest military prea-ence will be visibly strengthened by its commitment to protect its own shipping lances for 1,000 miles around its islands.

Japan'a economic strength is resulting in a more confident regional for-eign policy. The yen is a great ambas-sador. China, which gets 70 per cent of its foreign aid from Japan, has just been offered \$6.2hn in ioans for 1990.95. The deep wounds of the past between the two countries are slowly healing over (although each still care-lessly scratches the scab from time to time).

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China is crucial to the Soviet goal.

It contains more than a billion people, a quarter of the world's population: a

economic co-operation. This might,

perhaps, eventually include joint eco-

nomic ventures between the Soviet Union, China and Japan on the path towards Mr Gorbachev'a dream of

big-power co-operation within the region. He would particularly like

such developments in the eastern

"Asian" Soviet Union.

Similarly, in countries like Thai-land and Indonesia, which had anti-Japanese protests in the 1970s, com-mercial links are growing fast; the Philippines fêtes potential Japanese investors; the Japanese are queuing up in Bangkok in the hope of estab-lishing new links with the changing countries of Burma and Vietnam.

This is all taking place against a hackground of close Japanese co-oper-ation with the US in many areas, in spite of the sharp exchanges over trade. If Moscow can edge its way in, it would hope to benefit from Japan's economic and technological prowess while creating a new era of regional power co-operation. Such an achieve-ment would change all the balances – diplomatic, economic and military - to its own advantage ...

In truth, frosty relations between Tokyo and Moscow bave already improved slightly. Trade is rising. Japan's former Prime Minister. Mr Yasuhiro Nakasone visited Moscow last month and the atmosphere was warmer than for some time.

Mr Gorbschev's complaint on Friday that Japan is increasing its mili-tary potential at the behest of the US evoked a mild rebuke from the Japanese foreign ministry. More impor-tantly, the Japanese welcomed Mr Gorbachev's desire for stronger ties. For them the test of sincerity is simple; it could be met as soon as tomor-row. In his lengthy canter around the obstacle strewn course of foreign pol-icy in Asia, Mr Gorbachev made not a single mention of the Kurile Islands, the key to transforming relations with Japan and thus the Soviet position in

The talks are going badly; last week the US warned the Philippines that it will pull ont ~ probably rebasing at the much less strategically useful The call for all powers to freeze nuclear weapons in the Asia Pacific region is old and will not be accepted by the US; likewise the call for a non-increase of naval forces in the region. This is merely part of the hot air which Mr Gorbachev uses to inflate these set-piece policy speeches.

The Philippines Government claims But close examination of the speech suggests that Mr Gorbachev wants the Soviet Union - which, unlike the the Soviet Union — which, unlike the US, has territory and borders in Asia — to be accepted as a major power in the region. Closer economic links to dynamic economies such as Japan and South Korea would follow. This would alter the regional balance of power at the expense of the US. Though Mr Gorbachev was careful in this smeeth — unlike the one at Vladi-

spoke last week a Soviet trade delega-tion was arriving in Manila. It is this speech - unlike the one at Vladi-vostok - to emphasise that the US had a role to play in Asia, Washing-ton's influence would diminish if the region's free states no longer thought it necessary for the US to guarantee their freedom.

Iraq defies the world

ON FRIDAY the Iraqi Government informed the UN that it would not admit to its territory a team of experts charged with investigating the alleged use of chemical weapons by its armed forces against the Kurdish population. That is hardly surprising, but should increase the pressure for sanctions against Iraq which has been building up on both sides of the Atlantic. Although the Turkish government for obvious reasons of state is now turning a blind cyc to the reports of its own army doctors, the US Govern-ment has said publicly it is convinced that iraq has used chemical weapons against the Kurds, and the UK Governmilitary power in a strategi-cally sensitive region. ment admits that the evidence

is "compelling". Already on Thursday the European Parliament had condemned lraq for the use of chemical weapons to "externinate" thousands of Kurdisb civilians. It called on the 12 member states of the European Community to suspend imme-diately all weapon deliveries to Iraq, as well as the export of material usable for the manufacture of chemical weapons.

This week in Washington the US House of Representatives is expected to approve a sanc-tions bill which is less sweeping than the Prevention of Geoocide Act passed by the Senate, but which would still have immediate effect in oblig-ing the US to block all loans to Iraq from multilateral institutions, and in banning all US exports to Iraq of weapons and militarily applicable technol-ogy, as well as all new con-tracts for US imports of Iraqi goods of any sort.

Loss of income

Sanctions invariably cost something to the party apply-ing them. Export sanctions mean loss of income, and possi-bly jobs, at home - specifically, in this case, for farmers across the US, for defence industries in France and other European countries, and potentially for contractors in almost every industrialised country hoping to join in Iraq's postwar reconstruction programme. Credit sanctions may mean that outstanding credits to the country in question have to be written off: an estimated \$1.9bn from the US; \$2.4bn

from Turkey; much larger sums from France, and presumably from the Soviet Union, to say nothing of Iraq's Arab creditors who are most unlikely to apply sanctions in any case.

Import sanctions in a buyer's market, which the oil market still is, may not significantly raise the price for the home consumer in the short term but they may jeopardise long-term relationships with a supplier. And even aid sanc-tions involve forfeiting what-ever presumed benefit motiin Texas vated the decision to grant aid in the first place: in this case political influence in what has banker." now emerged as the strongest

Outrageous

For all these reasons governments are reluctant to be pushed into confrontation with Iraq. But the last consideration really cuts the other way, and should be decisive. President Saddam Hussein of Iraq bas survived a war of his own making very largely thanks to the international support he received. He is now behaving as though this international support had been mobilised not and Africa. Abboud has always been said to prefer working with (as it in fact was) to end the war without decisive advan-tage to either side, but to assure him victory on his own terms; and as though he can now afford to take lt for granted no matter how outpacago in the 1970s and again at Occidental Petroleum in the first half of the 1980s.

now afford to take lt for granted no matter bow outra-geous his behaviour. In the peace negotiations his delegates appear to have for-gotten all about the UN Secu-rity Council resolution which Iraq insisted, for a full year, must be applied to the letter and "in the strict order of its paragraphs". In his treatment of the Kurds he is brushing aside demands for an inquiry into allegations of chemical warfare, a subject of acute con-cern to the international comcern to the international community.

remember.

There will be a heavy Texas

state that has begun to

recover," Aburdene said. If ever a country was vulner-able to sanctions Iraq should be now, having eurvived an "We'll be mainly serving US companies in Texas that operate abroad, but also looking exhausting war by mortgaging wider." Aburdene's Middle its oil revenues for many years to come. If ever there was a case when states that have East qualifications include a spell as adviser to the Arah Monetary Fund in Abu Dhabi. Neither he nor Abboud is origi-nally from Texas, and that in a way marks one of the biggest belped a foreign government needed to prove that their sup-port was not unconditional, this is surely it. changes of all since the state

"Arab states are impressed by conservatism," said Dr Odeh Aburdene at the week. got into difficulties after the fall in oil prices: Texas is no longer run by Texans, Aburend. "And that's why they will be impressed by Robert Abboud. He's a prudent dene expects the price to settle at a little over \$20 a barrel around 1991.

Papal brief

Abboud certainly is losing no time in developing new ambitions for First City Bank-Pope John Paul II and Sir Geoffrey Howe had a lot to talk about - Northern Ireland apart - when they met in Maputo last night. Like the British Foreign Secretary, the Bong has been of a fivaday corporation of Texas, the group that was bailed out by the Federal Deposit Insurance Corpo-ration and Abbout and his business associates. "We're recapitalised now and we're starting with a clean balance sheet," said Aburdene, wbo Pope has been on a five-day African tour and the two men arrives next week to take over at its London branch and will have responsibilities for the UK. Europe, the Middle East Amena our and be two men both arrived in Mozambique on Saturday. It is not known what the latter thinks about sanctions against South Africa since he gave an equivocal answer when asked by an Ital-ian newspaper. Howe may bave probed a bit further. The pair last met in Brussels some a small number of people. Aburdene is one of them. He

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Morgan stood by its pledge

includes the climax of the scandal and the top manage-ment shake up that followed - all of it based on interviews with those concerned as well as the Bank of England.

The work will still see the

light of day, but probably not

until 1990 or 1991 by which time it is hoped that the Guin-

ness affair will have run its

course. Meanwhile, Burk has

other irons in the fire. She will shortly be publishing an

1950s: in time to coincide with its re-privatisation next month.

account of the first privatisa-

tion of British Steel in the

was with Abboud at First Chiyears ago. The Foreign Secretary'e safari ends today. The accom-panying press corps has already marked its apprecia-tion by presenting him with an ebony model of Graham the Ugandan hippo, whose quality of imperturbability he seems to share. The card prefers to a memorable encount years ago. Abboud ieft both places as a result of policy disagreements, but at least in the case of First Chicago he may have been vin-dicated by events. He refused to go in for the kind of generous borrowing to the Third World that subsequently led refers to a memorable encounter between a political heavy-"That," according to Aburdene, "is what Arab states will weight from Downing Street and a heavyweight of the jun-

Discretion

emphasis in the bank's new dealings. "Texas is an energy Morgan Grenfell, which mark its 150th anniversary this year, has decided to postpone one of the events with which it proposed to celebrate; the publication of the company history.

The work was written by Kathy Burk, an historian at Imperial College, London. It was due to be published this month by the Oxford University Press, but Sir Peter Carey, tively, to the annoyance of the US.

Mr Gorbachev's offer to close Cam Ranh Bay naval and Da Nang air bases in Vietnam, both former US bases, again looks good in propaganda for Clark and Subic. The Soviet Union has ports on its own eastern coast which could be expanded as replace-ments, and the electronic monitoring which has been done from Cam Ranh can increasingly be done by satellite.

There is a great deal of ho-hum, if not hokum, in the 90-minute speech.

The speech also set out to woo South Korea. One of the proposals Floating bids One of the world's more a the of the works in the unusual properties has attracted a heap of inquiries since it was put up for sale 10 days ago. It is the 200-room

as

so far, of which seven are from "seriously interested" parties.

Poor Currie

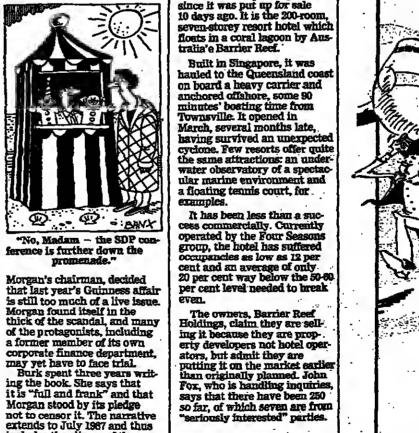
Edwinia Currie, the very iunior health minister, has lowered her profile. She is no longer accepting lunch invita-tions without them being first referred to her new boss, Health Secretary, Kenneth Clarke, Perhaps Clarke thinks that room should be made for that other publicity seeker now at the Health Department and late of the Foreign Office: David Mellor. Personally, we prefer Currie,

ageing Chinese leader, as soon as pos-sible, as a prelude to full political and

As it happens, Mr Sosuko Uno, the Japanese Foreign Minister, and Mr Eduard Shevardnadze, the Soviet For-eign Minister, are both in New York for the UN General Assembly tomor-row. They have scheduled a meeting, at which the Japanese will discover whether there is any wheat for them whether there is any wheat for them in Mr Gorbachev's chaff.

Additional reporting by Stewart Flem-ing in Washington, Quentin Peel in Moscow and Richard Gourlay in Momila

E.E.C **1992**? Pas de problème Mein Herr! **BRITISH VITA PLC** British Vita PLC, Middleton, Manchester M24 208. Tel: 001-043 1153. Teles: 657573. Fas: 061-053 5411. NTERNATIONAL LEADERS IN POLYMER, FIBRE AND ABRIC MATERIALS AND TECHNOLOGY_SERVING THE JRNISHINGS, TRANSPORTATION, APPAREL PACKAGING AND ENGINEERING INDUSTRIES.



FINANCIAL TIMES MONDAY SEPTEMBER 19 1988 Terry Dodsworth and Andrew Fisher on the forklift truck industry after the sale of Lansing Bagnall

Trundling back from recession

ew examples of the impact made by the H UK's devastating recession of 1980-81 stand out more sharply than the drastic response of Lansing Bagnall, the country's leading forklift truck manufacturer. Much earlier than most other UK manufacturing companies, Lansing decided to cut back and there were no half mea-sures. In a single year, the Bas-ingstoke-based group reduced its output by 60 per cent and its 5,000 strong labour force by 40 per cent

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40 per cent. Lansing's move was later followed by other UK producers. indeed, there is a school of thought that this period of sudden contraction delivered a body-blow to the UK manufacturers from which they have never recovered.

in the immediate aftermath of the recession came the demise of Coventry Climax, a company that had gone through the hands of a series of owners before its collapse and absorption by Kahnar of Sweden. This weekend, the effects of the slump were being blamed in part for Lansing's decision to sell out to Linde, the West German group which has emerged as the Europeen industry leader in the 1980s.

"There was a recession throughont the European industry in the early 1980s," says Mr John Allenby, Lans-ing's deputy chairman, "but it was much more severe in the UK than elsewhere. Those years were a watershed for the UK forklift manufacturers."

Lansing's merger with Linds, still subject to regula-tory approval, will end one of the most enduring entrepreneurial success stories of the post-war era. The company was founded in the early 1940s by the late Mr John Sharp and Sir Emmanuel Kaye, now 73 and still in charge of the pri-vate Kaye Organisation which owns Lans sing. In the 1950s and 1960s it became the leading manufacturer in Britain.

In the last few years, how-ever, Lansing has seemed to lose its touch. Its growth began to stall. Two acquisitions which might have given it the sort of scale that Linde has now achieved both proved troublesome - the first when a rescue consortium organised by the Kaye Organisation was forced to put Coventry Climax into receivership, and the sec-ond when a variety of prob-lems emerged at Saxby in France, acquired in 1985.

Executives in the industry are surprised that Sir Emmanuel has agreed to the takeover because in the past he has jeal-ously guarded the company's independence; he has also championed the virtues of private companies, free from the short-term pressures of the stock market. But the move fits in with a long process of creeping rationalisation among European producers. This streamlining has been

led by the West German indus try, particularly by Junghein-rich, which has invested heavily in new plant, and Linde, which has grown rapidly through acquisition. Linde, a highly diversified group with other interests in process plant, industrial gases and refrigeration, has built up its position domestically through the purchase of Still and Wagner, while overseas it established a strong position in France with the takeover of

Fenwick Manutention. The deal with Lansing will stablish Linde's dominat the European scene, adding its own industrial truck sales of around £530m to the UK com-pany's £235m. Jungheinrich is less than half this size, while Lancer Boss, the other leading UK company, had sales last year of only just over £100m. This restructuring of the industry is partly a response to chronic overcapacity worldwide. Until the 1970s, the fork-lift industry expanded effort-lessly. Its machines were

needed everywhere to service growing assembly lines and the increasingly important dis-tribution industries. But then came a slowdown in the growth of manufacturing, a change to new methods of materials handling, and finally the emergence of new competitors from Japan and Korea. There are just too many companies in the world-wide

forklift truck industry at pres-ent," says Mr Trevor Bowinan-Shaw, vice chairman of Lancer Boss. "There has to be further rationalisation." UK producers have had a

particularly difficult struggle in coping with the market shakenp for several reasons: . Foreign manufacturers have for many years had a strong position in Britain, initially in the shape of US companies such as Hyster, Yale (formerly Eaton), Caterpillar and Clark - able to maintain strong pressure on prices through scale economies

More recently, Ruropean and



Sir Emmanuel Kaye, chairman of the Kaye Organisation

Far Bastern producers were • The British industry has given the opportunity to con-solidate their position in the UK by the strength of sterling suffered from the agonising decline of the UK motor indus-try and the problems of much of the associated engineering in the early 1980s. Overseas products flooded into the Britain at that time, with the sector. In West Germany, the strength of these heavy manu-facturing businesses has pro-vided a basic underpinning for the materials handling comparesult that imports have leapt from about 30 per cent of sales in 1980 to 60 per cent today. Once established, it has proved hard to dislodge the importers because they have now develnies; by contrast, Lansing says that its main market in the 1980s has been in the distribuoped strong relationships with distributors. tion sector, textiles and foot-

Company	Country	D-Mark 1984 (millions)
Balkancer	Bulcaria	2,546
Linde	W.Germany	1,372
Toyota	Japan	1,146
Hyster	US	1.059
Clark	US	838
Junghelmrich	W.Germany	747
Komatsu	Japan	742
Lansing	UK	732
Yele	US	518
Mitsubishi	Japan	475
Crown	US	457
Nissan	Japan	376

intend to continue to do so

Institutionally orientated firms

with their high overheads may find private clients unprofita-

ble, but there are other firms,

whose systems are designed

specifically to handle private

client portfolio management,

which do not take nearly so

humanitarian and development

assistance to disadvantaged Palestinian Arab communities

in their home country. The

association is not affiliated

with any government, official

gloomy a view of the future -

or the present.

Brewin Dolphin & Co, 5 Giltspur Street, ECI

Gerald Knox,

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• UK manufacturers, heavily export oriented in the 1960s, have latterly stagnated in over-seas markets. Both Lansing and Lancer Boss produce equipment in Germany, but they have not expanded their European operations as rapidly as their foreign competitors. Some executives say that the uncertain, strike-torn environment of the 1970s forced British companies to focus on their domestic problems rather than their opportunities for international growth. "We became obsessed by component short-ages and problems with our suppliers," says one manager.

• The combination of a flat market, competitive prices and erratic exchange rates conditions, have squeezed profits in the UK industry, restricting the ability to invest in the future. Just at the point when Lansing was cutting back in the early 1980s, for example, Jungheinrich was subarking on a £60m expansion plan which is now two-thirds com-plete, and which will double its capacity. Linde has invested about £30m a year in its mate-rials handling division since 1985

Lansing is a private company which is not particularly free with its figures. But it con-cedes that the financial hammering it took in the early 1980s has reduced its cash flow and hence its ability to invest in new production methods. Indeed, it has only just haunched a modest £14m spending programme on new manu-facturing techniques. "The company has been losing market share steadily in the 1980s," says one of its main European competitors, "mainly because it is not able to manufacture at an economic cost."

Some executives also argue that the UK Government's eco-nomic policies have made it difficult for British companies to establish a consistent man-agement approach. Mr Bob Bis-chof, head of Jungheinrich's UK operations, says that the Barber boom in the early 1970s gave West German companies a golden opportunity to break into Britain because the local manufacturers could simply not cope with demand; two bouts of sterling appreciation in the 1980s have had a similar

Given these sharp market cycles, Lansing has probably chosen an ideal moment to throw in its lot with Linde. The

materials handling market worldwide is booming at pres-ent, with forklift truck production likely to exceed comfort-ably the 100,000 units achieved last year, itself the best figure since the peak year of 1979. Asset valuations are therefore higher than for several years: indeed, Lansing, which made profits of around 26m in 1986 (the company will not give fig-ures for last year) is rumoured to have cost Linde about

£150m. Lansing, however, does not see the sale as a retreat, although two of its senior executives will retire to run the other activities of the Kaye Organisation in the motor and building trades. Sir Emmanuel will become president of Lans-ing, and the company is already talking of expansion with help from Linde.

According to Mr Allenby, Lansing is aiming to double its unit output over the next three to five years through a process of rationalisation within the Linde group. The product lines of the two organisations are to be reorganised to maximise throughput at each of the group's three plants in Ger-many, France and the UK. We shall be able to reduce our

material costs and our manufacturing costs," he says. In addition, he argues that the amalgamation will give the new group a better geographi-cal spread - one which is more appropriate to the demands of the genuinely open market in Europe planned by the European Community in 1992. In its new shape, the Linde-Lansing organisation will have a commanding posi-tion in West Germany and the UK, with a strong foothold in France, and tentacles in most

other markets. There is widespread recognition in the British industry of the strength of this argument, although this view is tinged with regret that another of the UK's potential European lead-ers is being sold to an overseas company; comparisons may be drawn with the sale of Fergu-son, the TV setmaker created by the late Sir Jules Thorn, to Thompon of France. "Sir Emmanuel is one of the

great post-war British industri-alists," says Mr Geoffrey Rob-inson, the former British Leyland executive and present Labour MP for Coventry North West. "But I hope that the sale

Lombard **Putting insiders** inside

By Richard Lambert

IF THE CHAIRMAN of a public modity, but it is often only in company phones with the news the last resort, when analysis that he is about to receive a and reason fail, that refuge is takeover bid at twice the mar-sought in what he who ket price, and you immediately buy all the shares you can, you are guilty of insider dealing. Correct? Not if the Appeal Court on September 26 rules against an attempt by the Attorney General to overrule an adverse finding in a lower court. In that event, Britain's insider dealing laws - which in terms of successful prosecu-tions have had very little impact since they were intro-duced in the 1980 Companies Act - will be made to look ridiculous.

The case hinges on that familiar aspect of the English indicial tradition – the literal interpretation of statute law. The Company Securities (Insider Dealing) Act of 1985 says, among other things, that someone who has price infor-mation abont a company which he knowingly obtained (directly or indirectly)" from someone connected with that company should not deal in its shares. Straightforward enough. Ah, but what does the word "obtain" mean? Judge Butler in the lower court turned to his Shorter Oxford Dictionary and found the definition "to procure or gain, as the result of purpose and effort."

Passive recipient

In the case in question, the accused had been the passive recipient of price sensitive information from a connected party. He made no personal effort at all to discover the good news: it simply fell into his lap in the course of busi-ness. Therefore, he did not obtain it - and be was acquit-ted. You must not bribe the company chairman to reveal all, but if he happens to let it out over the golf club bar, then all is well. Where does this leave the financial conglomer-ate, which combines corporate finance and sbare dealing activities under one roof? Common sense suggests that

parliament intended a looser meaning for the words "obtained from." But this is not an argument to try on Judge Butler, Common sense is, he agrees, "a precious com-

adduces the argument would call common sense."

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There is an argument that none of this matters: that insider dealing is a victimless crime, and that attempts to legislate against it are bound to run into endless problems of definition and of proof. The UK is not alone in finding it diffi-cult to nail insider dealers: for all the ballyhoo in recent weeks, the US authorities have had very little success over the years in bringing prosecutions.

Useful function

The more enthusiastic supporters of the efficient market theory (or at any rate those who survived the October crasb) go even further. They suggest that insider dealers provide a useful function in bringing share prices into line with the latest economic realities.

The arguments in favour of legislation are political and moral more than economic. To judge by the example of Japan, the absence of insider dealing laws does not sutomatically make the capital markets unattractive to private or interna-tional investors. But the abuses which flow from such freedoms can have wide repercussions.

Most citizens instinctively object to the idea of individuals taking advantage of privileged information to make profits at the expense of those wbo do not have access to such information. Passing legislation may not stop this trading, but the existence of legal sanctions at least makes it clear that such behaviour is not acceptable,

It is not a coincidence that the British laws have been brought in by Conservative administrations, on the correct view that their party is more vulnerable to the backwash of City scandals than the opposition. If the Appeal Court fails to overturn what even Judge Butler admits looks at first glance like a jejune argument. the Government will no doubt take whatever steps are necessary to put the issue beyond debate.

Some City firms are interested in private clients

From Mr. Gerald Knox.

Sir, Clive Wolman (Septem-ber 15) accuses the City of Lon-don of having failed the small client, and other recent articles have similarly attacked the City for having failed the pri-

vate client generally. As a firm which has always specialised in this business, we regret that we have not found the answer as to how to deal profitably with the small private client - dealing in

amounts of less than \$2,000 who needs advice. Although au "execution only" service would be less expensive to operate, the present transfer system including, in particular, the problems of rights issues and other entitlements, makes a really low cost system almost ing

but advice is always bound to be fairly expensive.) The comparison between the

Stock Exchange's approach to private clients is patently ridiculous. Insurance commissions are much higher, and the idea of trying to sell shares on the

LETTERS

impossible. (Taurus will help,

same basis would be horrify-However, I would like to dispel the view - apparently . prevalent - that no-one in London is interested in advising the private client. There

insurance industry's and the

are firms which have done this for a very long time, and

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From Mr J.P. Maddams. Sir, Your article (September 13) on the problems facing the textile industry failed to mention the damaging national strike which occurred earlier this year.

A significant contributor to that strike was an archaic collective bargaining system which ought to be pulled down, along with the redundant satanic chimneys which still dot the Lancashire landscape in the north east of England. Everyone will benefit from a plant based communications

system. There is also a benafit to be derived from the strong exchange rate, even if it does

make for a keenly competitive market place. Those companies which (like our own) are re-investing in capital equipment, now seek quotations internationally, encouraged by the stering price reductions the exchange rate affords.

rate affords. For example: German dou-bling machinery with a local cost of DM4m would have translated into £2.34m a year ago. Today it will cost us £1.27m — a saving of £70,000. More importantly, the German price remains the same as a

ms, Dunlop Textiles, Rochdale, Lancashire,

year ago. Patrick Madda

From Mr Serge Ganichot. Sir, A news item entitled "Israel tightens the acrew on inflows of PLO money" (August 25) alleged that the Welfare Association, a charitable institution registered in Geneva, Switzerland, is an "affiliate of the PLO".

entity or political organisation, including the PLO. It does not engage in nor does it fund As the Association's legal counsel who has advised the Association since its inception, I can state categorically and without reservation that the allegation is totally false. The Welfare Association is a privately-funded, non-profit, fax-exempt, charitable formda-tion established in Geneva in

1983 in conformity with Swiss law with a view to providing

political activity. Furthermore, the Welfare Association has never received any funds from the PLO. All of the association's funds are derived entirely and exclu-sively from donations, mem-

Welfare for Palestinians

bership fees and income on its fiduciary investments. Serge Ganichot, 12 rue du Mont-de-Sion 1206 Geneva, Switzerland

IT training for UK middle managers is essential

From Mr Boy Towndrow. Sir, The British Institute of Management report "Managers and Information Technology Competence" discussed in your pages on September 12 should be on the desk of every manag-

ing director. The British attitude to information technology training for middle managers threatens the nation's future competitive-ness. This is all the more worrying in view of the move to

the single European market. The United Kingdom's annual spending on informa-tion technology training is about £150m, of which only about £4m goes on teaching middle managers how to use information technology effectively. Since there are almost 3.5m managers in Britain, little more than £1 per year is being spent on teaching each one. In reality the situation is even worse than these statis-tics indicate, since a significant

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 proportion of the Lam is being wasted. As the BIM report that any investment they make in training is wisely spent? At present, few of the intershows, most courses offered by training organisations in the information technology area are too general to meet companies' needs

Our experience is that, to be successful, information tech-nology training for middls management must be tailored to a firm's specific situation. ware area demonstrates. For example, it must take account of the sector in which the firm operates as well as the character of the markets it is

trying to attack. Tailored courses, however, though essential, are not a sufmiddle tier of management able to use information technology to support corporate ficient condition for success. goals and compete with their The information technology European rivals. industry - bardware manufac-Roy Towndrow, turers, software firms, as well General Manager, Customer as information technology users - needs to come Trainino International Computers Ltd/ together to agree a common approach to information tech-STC plc, Beaumont Old Windsor, nology training. Without that, Windsor, Berkshire how can users have confidence

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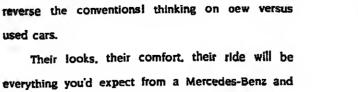
are greatly ested parties have come exaggerated together to agree on training standards or course structures. From Mr R.A. Fitzwalter. That needs to happen soon. Sir. I fear that Raymond Snoddy's article, "TV pro-gramme involving Press Coun-cil proposed" (September 14), which said that What the And it need not be a lengthy process, as the recent industry-led progress on open stan-dards in the computer hard-Papers Say "recently ended on Channel Four," may have given your readers the mislead-The momentum of Europe 1992 makes such discussions imperative, particularly if British firms want to develop a gramme is no more.

from the truth. It continues on Independent Television's ITV1, with its roster of splendid journalists. Wednesday's propresented by Raymond Snoddy of the Financial Times. Ray Fitzwalter. Executive Producer,

"What The Papers Say", Granada Television. Manchester

ing impression that the pro-Nothing could be further

gramme (September 15) was



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than skin deep



FINANCIAL TIMES Monday September 19 1988



tor sentiment, and with or retaining a majority stake, the BP Gold share price is never going to enjoy s hullt-in take-over premium. Meanwhile,

over premium. Meanwine, future BP managements may come to rua the flotation given the litigious nature of minority shareholders in the US. BP has plenty of excuses to pull the issue and the only casualty will be its own pride.

To hear BTR tell it, you might think that every com-

pany which regards its shares as undervalued, and which does not mind raising a little

would appear to be a genuine

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By Janet Bush on Wall Street

A market hungry for excitement

FRIDAY was snother scintillating day on the floor of the New York Stock Exchange. Between 10am and 2pm, the Dow Jones Industrial Average swung wildly from down 3.02 points to up 2.67 points. Then things really hotted up as the index piled on a seven point gain

At one stage in mld-after-noon, it looked as if the "triple witching hour," when several major futures and options con-tracts expire on the same day, might provoke some excite-

might provoke some excite-ment. The Dow hlipped up 12 points but then drifted hack down as fear of the 2.100 level once again asserted itself on the battered psychologies of the brave few still active in the stock market. The index set-tled back to close with a gain of 5.57 points at 2,098.15: unad-venturous hut safe. venturous hut safe.

Actually, Friday's minimal movements came in very high volume - compared with many recent trading sessions - of more than 200m. That figure was inflated, of course, by the usual smattering of divi-dend capture strategies, some stock index arbitrage and some positioning related to expiring futures and options contracts.

From the point of view of the country as a whole, the deathly stability of the stock market over the lsst few months should be comforting. For Mr James Baker, now running Vice President George Busb's presidential campaign, the stagnation of stocks is nothing

short of a hlessing. But for those who have to stand on the floor of the New York Stock Exchange for seven hours a day it is soul-destroy-

IBM is consistently one of the most actively traded stocks. Last Friday, there were a handful of young men in red jackets standing around the IBM specialist post. looking marginally less idle than everyone else on the floor.

Then, a knot of people suddenly started shouting and gesturing and scribbling furiously on their notepads. One special-ist commented dryly: "Oh, probably a takeover stock or a rumour or something."

In fact, the excitement was all about an announcement of a joint venture to develop deposits of beavy minerals in Western Australia between

By Robert Taylor and Sara Webb In Stockhnim THE SOCIAL Democrats will continue to govern Sweden with the support of the Com-munists after yesterday's general election, polling around half the votes between them.

But the Greens will come into Parliament for the first time with 5.5 per cent of the vote, just clearing the 4 per cent hurdle necessary to secure seats in Parliament.

HURRICANE Gilbert, the most

Secure sears in Parliament. However, they will not hold the balance of power as seemed likely a few weeks ago. The Social Democrats are expected - on latest returns - to secure 44.1 per cent of the vote. Along with the predicted 5.9 per cent for the Commu-nists, this will give the left

block a comfortable majority of seats in the new Parliament. The non-Socialist block were expected to get 41.3 per cent of the vote between them, nearly 7 per cent lower than their

7 per cent lower than their result three years ago. On the basis of the returns Mr Bo Toresson, tha Social Democratic party's secretary, said: "It should be possible to continue with Social Democrat rediur."

Mexico begins counting

By Roderick Oram in Brownsville, Texas and David Gardner in Mexico City

cost of Hurricane Gilbert

This suggests that the Swedisb electorate is not in the mood to support the centre-right block which, during the campaign, found it difficult to present a united front on sev-eral key issues. It was their

Swedish ruling party's win assured

worst result since the 1940s. The result will come as a considerable relief to the rui-ing Social Democrats, who feared that the Greens would feared that the Greens would be in a position to make impos-sible demands on them if they had held the balance of power. It can also be expected to bring some comfort to Swedish industry, which has been wor-ried by the possibility that the Greene would experies a strong

Greens would exercise a strong influence on Government eco-

nomic policy. Mr Per Gahrton, Greens spokesman, said: "Our goal has been to clear 4 per cent and get into Farliament. I had never

into Parliament. I had never thought that we would win the high figures the opinion polls suggested." Some opinion surveys suggested the Greens could win as much as 10 per cent of the poll, but it appears that many voters had second thoughts about backing them in the final days before the poll.

off. The result is regarded as a personal triumph for Mr ingvar Carlsson who is fighting his first election campaign as Prime Minister.

Debtor countries 'must grow faster' By Stephen Fidier,

FASTER economic growth FASTER economic growth must be achieved in the Third World before an acceptable solution can be found to the debt crisis, the World Bank said in its annual report, pub-lished yesterday. "Progress toward an accept-able solution to the debt crisis requires a resumption of

requires a resumption of growth in per capita terms in the debtor countries," it said.

Figures in the report show that ontflows of financial resources from the developing countries rose last year despite efforts to restore flows of funds to the Third World. Increasing from developing conn-tries - along with shortfalls on

tries - along with shortfalls on output, exports and imports - "cannot be sustained in the medium-term," the Bank said. Net transfers from develop-ing countries - the amount by which their debt service pay-ments exceed new loan receipts - grew to \$39.1bn, according to preliminary fig-ures, from \$31.2bn last year. ures, from \$31.2bn last year.

Debt servicing for the poo-rest sub-Saharan countries was, however, unchanged on 1986, at about \$7,1bn, although this was accompanied by a sharp build-up in total debt to \$100.3bn from \$89.6bn in 1986.

After a period of positive financial flows to Third World acceptable in the OK (atthough if was considered in the recent case of Parker Pen); and the doctrine of heavy leverage - rejected, after all, in the bids for Dee and RHM - now leaks will be to estable on in countries during the 1970s, the flows turned negative in 1963 and have been worsening since. This is despite the

The lure of the bargain buyout weakness of the gold price is a powerful depressant on inves-tor sentiment, and with BP

Gold Indices

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buyout scene with pleasurable anticipation. No sense in com-peting against a company's management at silly prices; let them buy it out, wait for it to go bust, and pick it up at lei-

BP Gold

does not mind raising a little equity capital in a few years' time, should make its share-holders the gift of a warrant or two. The argument goes that the warrant will focus the attention of the market on the company's more distant pros-pects, and when exercised, will hring in the sort of loyal equity capital that every company loves to have under its belt. BTR thinks the reasoning so good that it evidently plans to make last week's free handout an annual event. For the com-pany this would mean a rolling rights issue, while for the investor, warrants with a mar-BPG is a very different com-pany from BIG, but the planned Wall Street flotation of planned wait Street Hotation of a minority stake in BP Gold is in danger of turning out to be as big a flop as the stock mar-ket debut of Bond Interna-tional Gold at the end of July. Unlike Mr Alam Bond, BP does investor, warrants with a mar-ket value handed out for free not need the extra cash. As a result, the pricing of the issue promises to be an even more delicate matter than usual as gift. gift. At second sight, all this looks less persuasive. For a start the issuing of the warrant cannot create value, but only redistributes it. So while today's shareholders may be delighted to have the outloop of investors try to balance BP's surprising eagements to press ahead with a planned quote for 15 per cent of its gold business against its understandable the further irony of paying an excessive premium for control of a company they already run. delighted to have the option of buying £130m or so of BTR's reluctance to sell the shares

too cheaply. Apart from the similarity of the NYSE ticker symbols, BP Gold does not have much in common with Bond Internashares in three years time at today's price, by the same token this should be an expen-The final twist comes in the fact that many of the institu-tions which own the shares are sive way for the company to raise capital. To the extent that present abareholders gain, future shareholders must lose. also providers of risk capital; and if the fund management department thinks it worth tional Gold. Its 24m ozs of proven and probable reserves are more than four times as while to sell, it might look odd while to sell, it might look odd for the venture capital depart-ment to buy. None of this applies in the US, where the big buyouts are still thunder-ing along. Indeed, last week offered the bizarre spectacle of Playtex being bought out by the same management for the second time in two years. Such a technique is unlikely to be acceptable in the UK (although if was considered in the recent In a perfect market all this would be reflected in the price, large, and the biggest of any non-South African company; the only effect being a rise in its balance sheet has no net debt and the BP name provides the share price between now some comfort both in terms of and October 5, when the shares some connor both in terms of the quality of the parent and its technical abilities. This is important if, as expected, BP Gold develops its biggest prize - its 80 per cent stake in the Libir island project in Papua New Guinea, which is one of world's biggest undeveloped gold reserves. go ex-warrant, and a fall after-wards. However, as the market seems no more perfect in this case than it usually is, today's holders may consider than-

selves lucky. The argument that the very existence of the warrants will make people look at BTR's gold reserves. The combination of long life prospects more carefally is a mines, an average cost of pro-duction of around \$200 per curious one. One wonders what the share price previounce for the next five years, ously reflected if not the market's estimate of the future; and if that is out of line with and a scheduled trebling of output to 1m ounces a year by BTR's assessment, the problem is surely that the company is the mid-1990s, all promises healthy earnings growth even at current gold price levels. not But bowever good the prospec-tive economics, tha recent don. not communicating well enough with tha City of Lon-



Police in Cancun, Mexico, wade towards residents fleeing their low-lying homes, forced out by the rising flood sipated, meteorologists said it might yet do some good. Mov-ing as a severe storm north-west across Mexico,

normally dry Santa Catarina river bed became the channel for a land-based tidal wave which swept away housing, bridges, and four buses full of drought. This creates an addi-tional obstacle for the Governtional obstacle for the Govern-ment's so far successful stabi-lisation plan. This has reduced inflation from 15.5 per cent a month in January to 0.9 per cent last month, but the plan was already beginning to suf-fer the effects of falling oil prices and rising international inhabitants attempting to flee the hurricane.

ing days to the drought-stricken US prairies. Rescue and clean-up Little damage appears to operations are under way along its 2,500-mile treck across or close by the Dominihave been done either to Mon-terrey's industrial base or to Mexico's major oil production can Republic, Haiti, Jamaica, the Cayman Islands, the Yuca-tan Peninsula and north-eastinstallations located in and on the Gulf of Mexico. Pemer, the state oil monop-

prices and rising international interest rates on Mexico's

Last week's statement by Mr John Gunn that he may con-sider taking British & Com-monwealth private adds him to a growing roll-call of the disen-chanted. Entrepreneurs gener-ally disagree with the stock market's rating of their compa-nies, but with equities in their present disarray some are evi-dently minded to challenge those ratings head-on. Tha snag is that among the things worrying the market, one of the most pressing is the rising cost of money. Sabre-rattling by managers is all very well, but do the sums add up any more?

On one rule of thumb, probahly not. In bald terms, the profit on a buyout can be meahly not. In bald terms, the profit on a buyout can be mea-sured by how much the pre-tax yield on the company's market value exceeds the going rate of interest. Plotted for the market as a whole, the two rates occa-sionally cross over, and this seems to be happening now. The stock market may he down, hut not as much as interest rates are up. And leverage, of course, works both ways. Back in May, a £100m buy-out financed at two points over base would be paying annual interest of £9.5m. Now, it would be paying £14m, which in terms of cash cover makes it a different company. A separate question for Mr Gunn - or Mr Tony Berry of Bine Arrow, or Mr Bran-son - is whether shareholders are happy to sell out at a loss. As in any bid, managers offer-ing to take a company private would detime the price np ing to take a company private would drive the price np against themselves, and risk

ings of Australia. Kerr-McGee closed unchanged at \$38%.

At one specialist post, a broker bounded up to put in an order. "Two thousand?" the specialist asked flatly. "No, two hundred," the hroker shamefacedly replied.

Dealers at one brokerage last week joked about an order their desk had received from an institution which manages \$2.5bn for 20 shares of Ciba-Geigy, the major Swiss pharmaccutical company, worth just over \$400,000. The securities house made \$92.80 on the

Specialists' commissions are probably around 25 per cent down from levels before the October crash. Mr Michael Creem, a partner

of stock exchange specialist Mcrcator Partners, says that although volume remains much higher than 10 years ago. it still feels very quiet in com-parison with the hectic last days of the raging hull market. "It is like driving a car at 70mph and you slow down to

60mph. You are still going fast hut it feels awful," he says. One Door trader talks about

his father, who also worked on the floor, who died in early 1975 after the difficult run in the stock market of 1973 and 1974. "How could f possibly explain to my dad that the Dow is over 2,000 and volume is around 125m shares a day and that things are awful?" be

says. Still, for all the gloom and the difficulty in making any money, working the floor still seems like fun.

Even on quict days, it is a noisy, vibrant place. This is partly because the exchange's cavernous proportions amplify the sound of voices and partly because the Irish and Italians the two tribes which dominate the floor, are not known to be short of a word or two.

There is always the election to talk about. As the Reverend Jesse Jackson found out when he rang the opening bell some weeks ago and was booed, the exchange is full of Republican voters.

voters. If politics don't provide any interest. there is always a crossword puzzle to do or the Financial Times to read. And there is the paging sys-tam used by prokers. Card

tem used by brokers. These little hlack boxes do not beep or flash to alert the broker that someone is calling him. They vibrate. As one broker joked: "It is about the most excitement I get these days."

in the Yucatan peninsula, where Gilbert hit early on Wednesday, some 40 people are thought to have died. The two major international resorts of Cancun and Cozumel, which together earn about a third of Mexico's average yearly tourist receipts of \$2bn, have been

there was a possibility that it could bring heavy rain in com-

devastated. Damage is estimated at more than \$500m in Cancun alone which, with more than half of its hotel rooms affected, will be closed for perhaps two months. The peninsula's fishing fleet has also been badly hit.

In the northern states of Nuevo Leon and Tamaulipas, battered hy Gilbert from Friday night, at least 70 and possi-hly more than 200 people died. In Monterrey, Mexico's third city and industrial powerhouse, scores died when the

the Campeche Sound which produces 1.7m barrels a day of the country's 2.5m b/d output, half of which is for export. Lost earnings, bowever, could exceed \$100m.

The cost of repairing damage to roads, housing, water and electricity supplies, airports and telecommunications will now put further strain on infrastructure spending which has fallen 60 per cent under the 1982-88 de la Madrid administration.

The new Government of Mr Carlos Salinas, due to take office in December and weakened by a fierce election dis-pute, bad already concluded that the infrastructure backlog would create bottlenecks in Its drive for a return to sustained growth after seven years of stagnation.

il loreigi

The greatest damage occurred in Jamaica on Monoccurred in Janaica on Mon-day, leaving a quarter of the population homeless. The death toll was estimated at around 40 but still rising as rescue efforts continued. The US escaped lightly as the hurricane made landfall 100 miles south of the border toration of growth.

Lost harvests will also bring

pressure on basic grains prices

already affected by this year's

the beneficiary of transfers from developing countries totalling \$1.27bn. This, it points 100 miles south of the border town of Brownsville lete on Friday. None the less, three people were killed in south Texas as 65mph winds, seven inches of rain and some 20 tornadoes battered the area. Of Brownsville's 110,000 peo-

Yugoslavia, did not do so. ple, 40,000 were evacuated inland while 10,000 stayed in the town's shelters which also took in some people from Mato-moros, the Mexican town of 500,000 across the border. Weather junkies stalk the wind, Page 3

urging of bodies such as the World Bank, which sees the transfers as a block to the resthe UK this time round in the cycle

With the health of the corpo rate structure in mind, this is surely something to be grateful Nevertheless, critics of the for. One or two of the UK's more acquisitive conglomer-ates are already eyeing the US Bank can be expected to point to the fact that in its fiscal year to June 30, it was itself



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Burma army takes over in bid to keep power Continued from Page 1 the regime. If it is going to drive the demonstrators off the

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return to their jobs on Monday or face disciplinary action. The military leaders said they had abolished all former streets it will have to use live ammunition, and that means ordering the troops to fire on people who may be their friends and even members of state organisations and deputy ministers had been suspended. The curfew would be enforced their family. It could be a des-perate and very ugly sltua-tion." from 8pm to 4am and no gath-ering of more than five people The formal winding-up of the would he permitted at any time. It is not clear how the Army

old regime had been signalled on Friday when the then Presiwill proceed but a diplomat said last night: "If the regime still seriously believes that it can defeat the opposition, even dent Maung Maung announced that members of the armed forces and the civil service would no longer be permitted at this late stage, then it is to be members of the Burmese logical to assume that It may Socialist Programme Party try to arrest some of its more which had ruled since 1963. At the same time the comprominent members.

"But the coup does not alter manders of two military the fundamental dilemma for regions were replaced,

WORLD WEATHER

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Fair For Fog Hotsel

Europe, US offered high definition TV Continued from Page 1 dream. Japan dream. Japan would fight for the idea to the end, he said.

munications Commission on

requirements for HOTV. NHK, the state-owned Japa-nese hroadcaster, has been Mr Shima said that the technology would have applica-tions for films as well as possidemonstrating the merits of Its HDTV system during the Olympic Games in Seoul. ble military uses such as possi-ble military uses such as in satellites, because of the high quality image produced. Mili-tary exports are forhidden under the Japanese constitu-At talks between NHK exec-utives in Secul with Chinese and Soviet officials attending

the Olympics, Mr Shima said the two Communist nations had taken a cautious approach, preferring to wait and see the attitude of US and European tion. Under the development plan for HDTV in Japan a transition stage is expected where old style receivers will be fitted with a converter so they can receive the HDTV signal. Stressing that NHK was not required to make profits, Mr Shima said that he did not governments towards common standards.

The Japanese hroadcaster yesterday used a satellite to broadcast live the opening cer-emony of the Olympic Games on HDTV for the first thme. think a unified standard for HDTV was an impossible

EC tax plan opposition

Continued from Page 1

Mr Nigel Lawson, the UK Chancellor of the Exchequer, saw any likelihood that the modifications would satisfy the UK snggestion that market forces, as distinct from EC reg-ulations, should be allowed to produce convergence between Europe's widely differing indirect tax rates. . The stance of the UK, with

some discreet support from Luxembourg, plus that of Den-mark which deeply dislikes both the UK and the Commis-sion plans, is thus dimming the support of the states might eventu-ally decide, of their own prospect of a Community-wide accord, to align their tax rates.

tax agreement by 1992. Significantly, Mr Jacques Delors, the EC Commission president, refused after this weekend's Elounda Beach meeting to put any target date

on tax agreement. "This one tree of difficulty should not obscure the feres of success," he said referring to recent agreements on other aspects of the internal market.

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FINANCIAL TIMES COMPANIES & MARKETS Monday September 19 1988



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Glaxo up and down the popularity league



An extraordinary record of growth over the past decade has not saved Glaxo, the British phar-maceuticals group, from the criticism of stockbrokers' analysts in recent months. But as Sir Paul Giroiami (left), Glaxo's chairman, unveils annual results today, he will find the City of London much more san-

guine about the group's strategy and its heavy investment in R&D. Pater Marsh examines the shift in attitudes.

East is still East

The differences between Japanese and US companies are shrinking, claims a recent study by the Japanese Ministry for International Trade and Industry. But the evidence is far from convincing, argues Stephan Wagstyl in the Business Column. Profit maximisation may be a shared goal, but this does not necessarily mean that projects are assessed in the same way. Page 40

An unlikely boost for Ecu bonds



The Ecu bond market - Ecus being made up of a basket of EC currencies - has received a boost recently from an unlikely source; the ital-ian Government, it has raised Ecu4.25bn (\$4.7bn) so far this year in Treasury bills which have emerged as a perfect swap vehicle. Ironi-cally, it was italy's decision to impose withholding tax on government securities that, made the swaps arithmetic work, Page 21

Generali launches rights issue

The largest fund-raising of the year on the Milan bourse is launched this morning with the huge L1,100bn (\$785m) rights issue for Assicurazioni Generali, Italy's biggest insurance group and the third ranking insurer in Europe. The issue is designed to help finance a development strategy. Page 24

Market St	tistics			
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Foreign exchanges London recent iss			mariant rates prices/yields	
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Price Waterhouse audits its accounting standards

Richard Waters examines the changes underway at one of the world's leading accountancy firms

P rice Waterhouse, which has the largest list of bluechip and clients of L one companies of any accountancy firm, is well versed in the ways of interna-tional companies. These provide exemplary role models for what PW plans for its own business: to turn itself into a cohesive multi-national enterprise.

That may eventually include becoming a corposation with out-side anarcholders, though legal restrictions around the world will not allow such a move for several

of the 170-odd PW sudit clients Of the 170-odd PW audit clients among the world's top 1,000 com-panies, it is Royal Dutch/Shell on which the firm has chosen to model itself. The oll major's international structure closely resembles the plans for PW of Pittsburgh-born Mr Joseph Con-nor, who took over as chairman of the international accountancy group last week.

The international accountancy group last week. Mr Connor points to the Royal Dutch group's six managing directors, each of whom has con-siderable operational freedom. Decisions about the allocation of resources, both financial and human, are made at the centre. "We have a few more managing directors, but the idea is the same. Price Waterhouse believes in collective, collegial manage-ment," says Mr Connor.

Last week saw a substantial transfer of power from individual national firms to the international leadership for making deci-sions about strategy and resources. Price Waterhouse's equivalent of managing directors are the members of a new central management team, consisting of the senior partners of six major national firms, three others rep-rescuting separate regions, and four representing particular func-tions, such as audit or tax. Price Waterhouse has also

Price Waterhouse has also made important changes to the financial relationship between its various national firms. Most accountants simply share the costs of their international struc-ture, with only Arthur Andersen actually, sharing profits interna-tionally, Comor will not go so far is to say that PW has introduced such profit sharing, but says that it now has a much stronger "shared economic interest." This



Joseph Connor musing over the dramatic changes ahead

nerships. : International accountancy firms need to deliver internation-ally consistent services. Their ally consistent services. Their staple product, the audit, has become highly dependent on cen-trally developed systems. PW's own auditing approach, which took ten years to develop, was finally adopted around the world last year last year.

last year. The product life-cycle for audits is getting shorter. The next generation of auditing will use artificial intelligence to underpin the frail human judgments of individual auditors.

A second international product is likely to rival the audit in the years ahead. This is the standard methodology firms use when methodology firms use when installing information systems for clients. The most successful firm in this field, Arthur Ander-sen, has had a centrally-devel, oped standard for many years. Price Waterhouse, which intro-duced a common systems product two years ago, is the most eager of the accountering firms to ema-late Andersen's success in this late Andersen's success in this merket.

All of this demands strong central management and, quite pos-sibly, outside equity financa, Investment in technology, and

debt markets. This also echoes moves by Arthur Andersen, which is the only accountancy

which is the only accountancy firm so far to have raised money publicly, with an issue in the US commercial paper market. Mr Don Hanson, in charge of Andersen's UK firm, says that his firm has no plans to sell shares. But he goes on: "It may be that we will have to seek equity finance in the long term." To understand the significance of these moves, it is necessary to understand the history of the accountancy business (the people running the largest firms stopped calling it a profession several years ago).

Auditors are required by law to work in partnership with other auditors. They may form limited companies in several European countries, and will be able to do the same in the UK when the European Community's eighth company law directive becomes will still be restrictions on owner-ship. Outsiders will probably only be allowed 25 per cent Countries like Australia have

toyed with the idea of limited lia-bility for auditors, mainly to save them from the crippling 1 visited upon them this decade. But others, such as the US, have vet to build up a head of steam on the matter, and a public flotation is nowhere in prospect. Yet accountants have turned themselves from true partnerships into quasi-companies, with a separation of ownership and ment. This is common at a national level: PW is now the second accountancy firm, after Andersen, to take a similar step internationally.

Canute approach to economic management By Anthony Harris

on sometimes have to come home to get the best news. Last week a quartyman in Nottingham, England asked his local bank for a loan, and was refused. After brooding about this all night, he rose at dawn, drove off in a giant bulldozer, and demolished the bank. He was arrested while try-ing to leave the scene in a dou-ble-decked bus which he had bor-

Nottingham is the capital of DH Lawrence country, and Lawr-ence would surely have enjoyed turning this into a short story. It turning this into a short story. It shows a physical directness which an Irish huilder in my home territory in London did not quite achieve. When he was in the same fix, he merely painted the local bank branch green (and this, I should stress, I saw with my own even). my own eyes). Both of them, though, surely

deserve a place in the records as the early martyrs of the New Economics. They are simply asserting, rather forcefully, that borrowers are the best judges of how big a debt burden they can how big a debt burden they can comfortably carry. This principle is firmly supported by the US and British Treasuries, which hoth argue that a surge in consumer borrowing and spending should be of no concern to the managers of the economy: it is simply a matter of timing, and will correct itself in due course. The stand-still in US imports this year will still in US imports this year will no doubt be cited as proof. The underlying belief was best

explained to me some time ago by one of tha Governors of the Fed, who put it into its general economic context.

"What do people mean when they say that consumers are saying too little?" he asked, rhetoriing too little?" he asked, rhetori-cally. "Do they mean that these people die in debt, or fail to pro-vide for their dependents? If they mean that, they are wrong, and if they do not mean that, what are they trying to express?" (I am aware that I quoted this some months ago; but as a former edi-tor used to say, if a thing is worth quoting, it is worth quot-ing twice).

ing twice). There is a lot of common sense in this view. Private people are

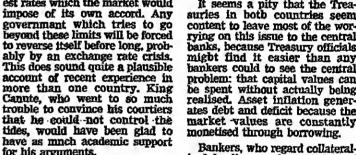
dently managed. It is debtors ernments with awkward choices bet ween deflationary failure and

inflationary rescue operations. Governments of the Reagan-Thatcher persuasion are mucb more comfortable with this permissive style of management than those with a more reformist cast of mind; they really do trust private markets.

rs Thatcher clearly believes that since she ernment's budget, there cannot ernment's budget, there cannot he anything fundamentally wrong with the British balance between income and spending, and the President believes that if only Congress would cut spend-ing, things would be just as sound in the US. He has no urge to be a braybody especially sound in the US. He has no urge to be a husybody, especially when everyone is out of Washing-ton fighting an election. When things are going well he is satis-fied, according to the latest reports, to sit at home watching old movies.

However, even would-be dirigistes may have little choice gistes may have little coolce when it comes to demand man-agement, unless they are pre-pared to cut themselves off from the modern financial world alto-gether. They may like to think that they control interest rates (and Mr Lawson, for one, obvi-ously hopes that everyone else will believe that he does); but current financial theory says that

current financial theory says that this is largely an illusion. The most that governments have at their disposal in open markets, according to the policy experts, is a few weeks in the timing, and perhaps a bundred basis points in the level of inter-est rates which the market would impose of its own accord. Any governmant which tries to go beyond these limits will be forced to reverse itself before long, prob-ably by an exchange rate crisis. This does sound quite a plausible account of recent experience in more than one country. King Canute, who went to so much trouble to convince his courtiers that he could not control the tides, would have been glad to



g as the soundest o sound business, are probably incapable of seeing the inherent risk in this. Legislators, who have in the past limited stock market margins, for example, somatimes show clearer understanding.



and with assets which used as collateral for loans,

things can go badly wrong. Inventories and business investment have been studied for generations as the basis for busi-ness cycle theory; hut there may be some reason to be relatively complacent about this. Current fashions in computerised man-agement and just-in-time materi-als flows probably have damped down the inventory cycle, and investment is being driven fairly steadily by advancing technol-ogy. Nowadays, then, more atten-tion is being paid to financial val-ues and their wealth effects.

Mr Alan Greenspan at the Fed likes to point out that there is nothing abnormal about the rela-tion of US consumer debt to net wealth, even though its growth has run ahead of that of incomes.

t is not always clear whether he regards this as a reason for being unconcerned about the growth of consumer debt, or for worrying about the trend of financial values; most of the time he seems to regard markets as rational and trustworthy, but sometimes - as be showed rather dramatically a year ago - be thinks markets need cooling

down. The Bank of England is in much less doubt on this question: it clearly believes that income and spending should grow roughly in step. Sometimes the Bank moves quite openly to check the stock market, and it worries ont loud about the infla-

tion of British house prices. It seems a pity that the Trea-suries in botb countries seem content to leave most of the worrying on this issue to the central banks, because Treasury officials might find it easier than any bankers could to see the central problem: that capital values can be spent without actually being realised. Asset inflation generates debt and deficit because the market values are constantly monetised through borrowing.

is believed to go substantially further than any firm other than Andersen.

Mr Connor, an urbane man who has spent his 32-year career with PW, will divide his time between PW's two head offices in London and New York. He has stepped down after 10 years run-ning the firm's US practice to become chairman of Price Waterbouse World Firm, the legal entity that sits perched on top of the individual national PW part-

told it to reverse this year's tax

cuts, it will be hard put to quarrel with the Fund's view

that fiscal policy will have to share the burden of curbing

It is, of course, too early for

anyone to make serious judge-ments about whether or not Mr Lawson will be able to cut taxes next March. It is hard to

see him forsaking the chance

inflation.

the pressure on working capital caused by rapid growth, has led a number of firms to call on their partners for greater capital con-tributions recently. This puts accountancy firms at a disadvantage, says Connor. "We frankly have the same needs for capital as any financial services organisation.

Raising equity capital is a long way off. In the meantime, PW is likely to take money through

THIS WEEK

generally much more responsible in managing their budgets than governments are, and most industrial corporations can also be trusted. Financial intermediaries are a much more doubtful class, and it is no accident that as governments lose faith in their ability to manage an open econ-omy, or lose interest in trying to do so, they tend to become more concerned with ensuring that those in the financial markets are adequately financed and pru-

for his arguments. However, it is one thing to believe, as Canute did, that rulers have limited powers, and quite another to conclude with Dr Pangloss that this is a reassuring conclusion, showing that all is for the best in the best of all possible worlds. Economies might run very well on a hands-off basis if all spending decisions were decisions about income flows, and nothing else. In the real world, encumbered with stocks of goods and commodities,

For the moment, the question does not seem pressing in the US, where the financial markets and the property market have shown no very strong trend since they stabilised after the October crash:

Economics Notebook

Principal Companies Covered

20 24

24

Accord Publications

Bank of Montreal -

Bedford (William)

First Boston

Generali Glaxo

Bertelsmann Desoutter Brothers

Washington's dollar policy

Grand Metropolitan

Hatslund Nycomed Hewitt (J) Ipeco Holdings MacNab Clarke

20 McBride (Robert) 24 Shell Brazil

24 - Statoll 29 Tavener Rutledge

week as it clarified its attitude to the dollar's appreciation this

The dollar has risen 16 percent against the D-Mark and by 12 per cent against the yen since its low point in late December. That, says that the conventional wisdom in Europe, poses a serious threat to the crosion of trade imbalances.

But, as it explained at a meeting of senior G7 officials, Washington does not see it quite like that.

In its assessment of tha appropriate level for the dollar, the slide in the aftermath of the October stock market crash is seen as an abberration - a temporary spike. As the fall was shortlived, it

As the fail was shortlived, it had little impact on trade flows. Instead, the recent strong improvement in the US trade position reflects the competitive gains flowing from the dollar's earlier, pre-crash, fall. So from Washington's per-spective the best starting point is mid-October 1987. From there the dollar has risen

about 2 per cent against the D-Mark and by about 4 per cent against the yen - hardly enough to wreck the adjustment process. US officials are dismissive of

the International Monetary Fund's judgement that the narrowing of trade imbalances will come to an end in 1989. Forecasts by the Fund, which by convention assume uncbanged policies and exchange rates, are said to miss completely the dyanamics of both the structural changes in the major economies and of

the G7 co-ordination process. The Administration's view is that there is plenty more.

- 12 Fail 1712

get range. well as export growth is now playing its part in closing the

2022

24

rade gap. But none of this should be taken as signalling that Mr Nicholas Brady, the new Trea-sury Secretary, is likely to favour a further dollar appreciation. The US concern is not to maintain a strong dollar so much as to prevent a disrup-tive fall which could spill over

into bond markets. Meanwhile, Mr Alan Green-span, the Fed. chairman, arrived in Basle last week with a briefcise full of his customary detailed assessments of the cistest US economic indicators. The private conclusions he offered his follow central bank-ers were much the same as those already drawn by the

markets - for the time being, last month's rise in the dis-count rate is judged sufficient to contain inflation.

Foreboding

Back in London it is not hard to detect a sense of foreboding among British policymakers.

The markets may have been unchacteristically stoic so far, but the Treasury appears to be bracing itself for even more bad news.

to lop another 1p off the basic The unspoken message is that it is not only the inflation rate - which looks set to rise to rate of income tax. But he will have to give a broad indication of his 7 per cent by the beginning of intended fiscal stance in 1989 - that may get worse before its gets better. A further bulge in the trade November's Autumn Statement. Alongside its revised forecast for the budget surplus expected this year - now likely gap may also show up in the next few months before a to be around £10bn (\$17bn) downward trend can be estabthe Treasury has to pencil in a working assumption for 1969/ lished. The August figures could turn out to be as bad, if not worse, than July.

MO, the narrow money supsecond figure will have to be at adjustment in the pipeline. It ply measure which is still was particularly heartened by taken seriously by the official least as large as the first.

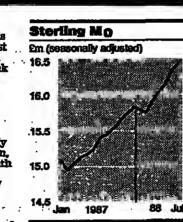
THE MAIN features of financial market interest this week will be Britain's August money supply figures which will be published by the Bank of England tomorrow and Wednesday's publication of US common prices Treasury, also looks set to career further outside its tar-

US consumer prices. Figures for the rate of If the markets take either indicator as a signal to sell sterling, Mr Nigel Lawson, the Chancellor, will have to respond with base rates of 13 or 14 per cent. growth of M0, the narrow measure of Britain's money supply which includes mostly notes and coins in circulation, By a per call. Even with a tighter mone-tary squeeze, he will also face pressure to provide a reassur-ing signal of his intentions on the stance of fiscal policy next is forecast to rise in the month by 0.9 per cent, to give an annual rate of increase of 7.7 per cent, according to a

s of forecasts financial analysis company. Despite the official smokescreen over mortgage interest rates, the underlying pace of inflation has accelerated. The The coming week is one which includes a host of US economic indicators and ends with a meeting of the Group of Seven finance ministers in. Berlin on Saturday ahead of **Retail Price Index minus mort**gage interest payments shows a rate of 5 per cent in August, up from 4 per cent nine months ago. It was Mr Lawson the annual meetings of the International Monetary Fund/ World Bank, and a meeting who once said that the inflation rate would be the "judge and jury" So if the Treasury can hon-estly deny that the IMF has of the OPEC pricing committee on Sunday. Japanese second-quarter

figures for real gross national product are due out today and should show a continuation of strong underlying year on year growth in encess of 6 per cent. The quarterly figure, however, should be down on the previous quarter's extremely strong outturn. **Figures for August US** consumer price inflation will be published on Wednesday. With the recent trade and employment data appearing to discount fears of overheating they are not expected to affect markets unduely. According to MMS. analysts expect a 0.4 per cent rise in prices during the month to give a yearly rate of inflation of 4.1 per cent, the same as in July.

Other US figures which should give an indication of To satisfy the markets that the strength of domestic demand are housing starts on Wednesday and durable goods Philip Stephens orders on Friday. August



housing starts are expected to be down slightly on July and durable goods are expected to rebound modestly from July's 7 per cent fall to be up 1.3 per cent in August. In West Germany, the Bundesbank is due to publish money supply figures for Angust, possibly tomorrow: August, possibly tomorrow: The July figure for M3, the broad monetary aggregate, showed it moving nearer its targeted range of between 3 and 6 per cent for the year, and interest will focus on whether the reduction to an annual rate of below 7 per cent has been maintained. Also expected this week are trade and current account figures for July. Both have been showing continued high surpluses this year, as the weaker D-Mark has stimulated

exports. In France, July industrial production and trade for August are due to be released. The latter may well prove sensitive for the franc. Tomorrow: Revised US real GNP and GNP deflator; Federal **Open Market Committee.** Wednesday: US Housing

starts and building permits; US personal consumption and personal income. Thursday: Australian money supply (August); US Federal Bu

udget. Sunday: G10 meeting, Berlin.



Ratners Group plc

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Prudential-Bache Capital Funding

September 1988

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UK COMPANY NEWS

THORE

mid-1987.

Many observers believe the

stream of jittery reports about

Glazo over the past year have been an automatic reaction to

the company's run of success. Others say the high share price last summer was a result of extremely bullish views of

Glazo's future growth which could not possibly be fulfilled. According to Ms Lindsay Jenkins, an analyst at the Lon-don office of Morgan Stanley, the US bank, the more sober assessments today of the com-

pany's likely fortunes are gen-erally realistic but are bound

to conflict with the wildly over-optimistic predictions in

Another factor behind the generally adverse views of

generally advarse views of Glaco in recent months is the sheer weight of comment related to the company, whose £7bn market capitalisation adds up to about 2 per cent of the value of the entire London stock market. As a result of

Big Bang, the number of ana-lysts in London covering the company's fortunes has

jumped from fewer than 20 at the beginning of the 1960s to more than 50.

Still some scepticism over R&D plans

R43175

Peter Marsh examines Glaxo's return to favour with some analysts

HE CLOUDS appear to be lifting for Glaxo, Britain's higgest drugs Re

exp

20

company. It might appear strange that a company with its record over the past decade, in which it has jumped from virtually nowhere to become the world's fourth largest phar-maceutical concern, has much to worry about. Nonetheless Glaxo, which

today announces its financial results for the year to June 30, has been through a rough patch in which many industry analysts have questioned its

strategy. There has been particular criticism of Glaxo's stance on research and development, an activity which it intends to expand significantly over the next five years. Onlookers have also questioned whether the company's high expecta-tions for a series of drugs pass-ing through its development pipeline are realistic. Some of the concern, how-

ever, appears to have evapo-rated in recent weeks, partly because of promising reports on research associated with two Glazo products due to enter the market in the 1990s, and which the company hopes will have big sales. One of the formulations, known as GR38032, is aimed at treating mental problems and also nausea associated with cancer therapy. The other, GR43175, is

for migraine sufferers. Another factor behind the warming towards Glaxo has been a stabilisation in the currency fluctuations which, due to the four-fifths of Glaxo's turnover accounted for by

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86	arch & development	
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nta	noiture excueing ac costs (£m)	G
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non-UK markets, have damaged the company's earnings over the past year. The com-pany had been particularly hit by the high dollar.

Sales of Glazo's main prod-ncts, including Zantac, the smash-hit anti-ulcer formula-tion which has been mainly responsible for the company's leap up the pharmaceutical league table in recent years, have also been holding up well. Analysts, many of whom have in recent weeks lifted their estimates for the 1987-88 figures, are now predicting a

pre-tax profit of around £830m on sales pushing £2bn. That compares with a £746m profit and sales of £1.7bn for the previous 12 months. Those results had been worse than many onlookers had expected. They were followed by a rapid decline in the company's share price; helped on their way by the stock market crash last Octoher, the shares tumbled

from about £18 last summer to

WestLB

Westdeutsche Landesbank

AND

WestLB UK Ltd

DUE FOR LAUNCH IN 1990s							
nug	Condition	Stage of trials					
R38032	Schizophrenia/audety*	Early/middle					
R39032	Intestinal disorders*	Early/midddle					
afolidine	Ulcers*	Early/middle					
R50960	Depression†	Middle					
R63178 ·	Cancer	Middle					
imetorol	Asthmat	Middle					
832191	Thrombosist	Middle					
terieutin-2	Cancer	Middle					
	to the file of a second second	All date Rate					

GLAXO DRUGS IN DEVELOPMENT

relaxed about this aspect of the less than £10 by the end of the year - a level where they have hovered since then. Not all the donbts about Glaxo have been dispelled.

relaxed about this aspect of the company's operations. They argue that R&D is the life hlood of any pharmaceutical company and that in expand-ing in this area - where in the past Glaxo has not been among the world's biggest spenders -the UK group is simply catch-ing up with other leading com-panies such as Merck of the US and Switzerland's Clha-Geisy Some analysts continue to be sceptical about the plans for R&D, an area in which the group wants to double spendgroup wants to double spend-ing to about £450m a year by 1993. By this time it aims to employ 5,500 research staff, up from 4,000 now. The company also aims to spend fibn over the next few years building new laboratories in the UK, the US and Japan. end Switzerland's Ciba-Geigy. Another point, according to Mr Jonathan de Pass, an analyst at Robert Fleming Securi-ties, is that much of Glaxo'a. R&D is hunched at the late stages of drug development, where clinical trials involving

Mr Robin Gilbert, an analyst at Jamss Capel, a London stockbroker, says he is unsure tests on many thousands of whether Glaxo is spending the extra research money wisely. According to Mr Gilbert, the patients make the work inherantly expensive. Furthsrmore, many of company could run into prob-lems managing the extra scien-tists it plans to recruit. That Glazo's products in the development pipeline (see table) are aimed at long-term disorders such as heart disease and mencould lead to innovative ideas becoming stifled by layers of tal bureaucracy.

Other onlookers are more

related to such chronic ill-nesses - where patients would expected to receive medications for many years as opposed to a few weeks for ailments such as infections tests concerned with the drugs' interaction with the body over. long periods are inevitably

problems. For products

ten. **Desoutter** warns on margins

Desouther Brothers (Holdings), precision mechanical engineer-ing group, lifted pre-tax profits by 22 per cent to 53.6m in the first half of the year, External, sales advanced 13 per cent to £22.79m. However, Mr Roger Desout

However, Mr. Roger Desoni-ter, chairman, warned that margins in the second half would be affected by the "pres-ent high value of sterling". An interim-dividend of 3p (2.7p) will be paid from earn-ings of 18.04p (15.06p).

BOARD MEETINGS

sowing companies fairs notified dates and movings to the Stock Exchange, meetings are paulity haid for the com-The tollowing comp

Ipeco to dispose of loss-maker more complex and so cost

FIRST-HALF results of Ipeco Holdings, manufacturer of spe-cialist products for the avia-tion and defence industries, improved on those of the sec-ond half of 1987, but showed a decline from the figures of the

corresponding period. That was largely due to Air-lec, the cargo handling equipment business, which contin-ued to make alow progress in achieving market acceptability for its electrical technology. It suffered pre-tax losses of £734,000 (£363,000) and is to be

Taxable profits in continu-ing activities slipped from £1.37m to £1.07m, but Poly-meric Composites made steady progress towards profitability. Group turnover increased to £5.89m (£4.75m). After tax of f5.83m (24.75m). After tax of 2119,000 (2351,000), earnings on continuing activities were 2.53p (3.22p). The interim divi-dend is halved to 0.5p. The directors said that, with the exception of Airlec, order books throughout the group remained encouraging.

McBride at £3.5m

Rohert McBride Group, domestic bleach, detergent and tolletries maker, achieved pre-tax profits of £3.49m in the seven months to July 3, against £3.05m for the six months to June 1987.

Net turnover was £63.24m (£33.57m). Earnings amounted to 5.78p (5.06p) per 10p share.

Tavener profits fall

Tavener Bntledge, confectionery manufacturer, experienced lower profits from experienced lower profits from exparts due to the strength of sterling and the costs of launching a range for adults in the six months to June 30. Despite sales up 8 per cent from £4.48m to £4.86m, profits fell from £102,074 to £33,481. The directors said current trading in the UK was encour-aging, but with 30 per cent of sales exported the outlook had to be viewed with cantion. Karnings per 20p share came paying interim The fail in sales continued into the first half of 1968 at William Estnings per 20p share came out at 0.81p (3.53p).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition; Needler Group (Buildings) Prestwick Holdings 74 pc Couv-Pref. shs. (Electricals)

CORRECTION

GrandMet disposal nears agreement By Maggle Urry hotel chain than the gross

GRAND METROPOLITAN, the UK brewing, food and hotels group, expects to reach agree-ment in principle to sell its inter-Continental Hotels chain note: cnain than the gross price. The structure of any deal could affect the amount of tax payable, so the highest gross offer might not be the best deal for shareholders, he explained. by the end of the month, if not sooner. The sale should raise up to £1.1bn in total after tax, a profit over book value of some £500m

ly-borrowed company - would have net cash in the balance sheet, even if its current ISS32m (£284m) bid for Irish Mr Allen Sheppard, chair-man and chief executive of GrandMet, said yesterday that talks were continuing with five Distillers succeeds. As for plans to spend the cash, Mr Sheppard said: "We are not so devoid of ideas that we would have to buy our own possible buyers, of which four were either consortia or part-nerships. "I could be standing on the edge of this cliff for another two weeks," he said. Mr Sheppard added that he was more concerned with the net figure received for the

shares. We have a very clear strategy of where we want GrandMet to be by the year 2000."

Accord in loss midway

WITH NORMAL trading patterns disrupted by reorgani-sation involving the creation of a new subsidiary, Accord Pub-lications, USM-quoted greating card maker, turned in a pre-tax loss of 2255,000 for the first half. of 1988. The result was struck after an exceptional debit of £224,000

comprises four operating com-panies each with a range of products targeted towards a particular niche in the overall - the direct costs of creating Network Greetings - and com-pared with a £78,000 profit last time

Bedford, Winchester-based

USM amique dealer. Pre-tax profits for the six months fell from £523,000 to

£152,000 on turnover down at £1.26m against £2.11m. Earn-

ings came out at 2.1p (7.1p) and

the interim dividend is passed

market. Mr Richard Horton, the chairman, said he believed the new group structure provided a good base for future growth. The interim dividend is unchanged at 0.8p. Loss per share was 2.6p (0.7p earnings). ume. Sales were virtually unchanged at £3.65m (£3.48m), while operating profits fell from £39,000 to £80,000. Interest payable took £111,000 (£26,000). Because of the seasonal nature

Hewitt falls W Bedford not to £121,000

market.

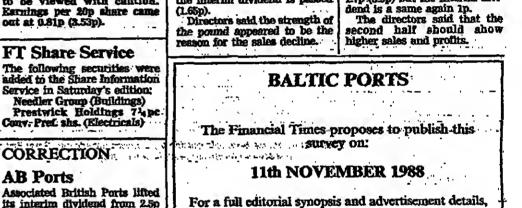
Continuing reduction in margins hit profits at J Hewitt & Son (Fenton), refractories group, in the half year to end-

an 30 per cent stake in Xpres-sions and the creation of Net-work Greetings, the group now

3

June: Although turnover improved marginally to 24.81m, pre-tax profits more than halved to f121,000, Earnings dipped to 1.7p (3.9p) but the interim divi-dend is a same again 1p. The directors said that the second half should abow bicher cales and profits.

higher sales and profits.



Sintrom boosted by acquisitions Boosted by acquisitions, Sintrom, computer services and peripherals distribution group, reported pre-tax profiles ahead from 2603,000 to 5223,000 to the bell mer to and Juna in the half year to end June. Turnover rose £3.13m to

The directors said further acquisitions were being sought in the UK and Europe.

against 0.75p last time.

up: "The company will find the next ten years considerably more difficult than the last

About one thing few people, including those within Glazo liself, disagree. This is that the company is almost certain to run into management prob-

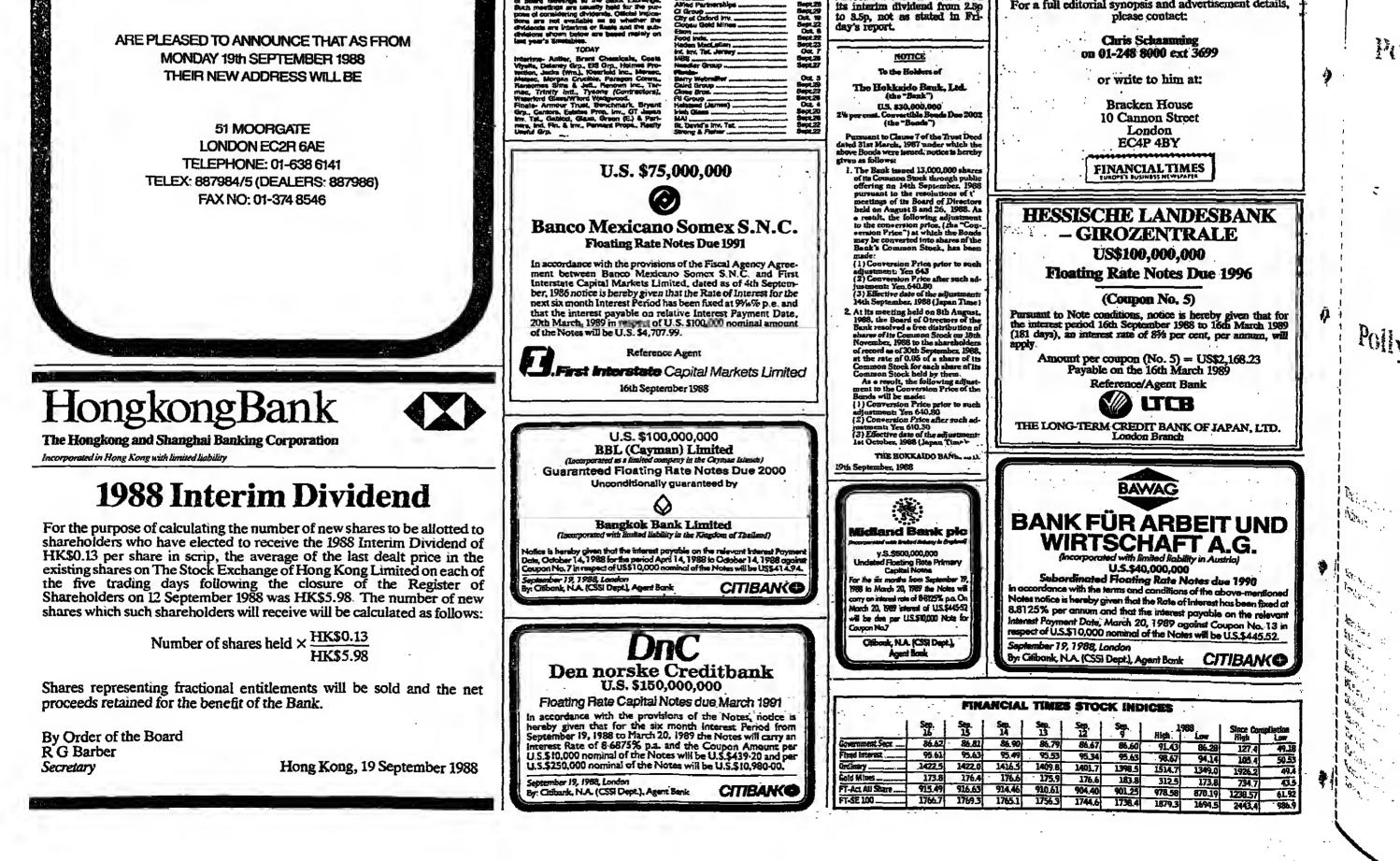
lems in the future of a kind experienced by any company which is growing quickly. Sir Paul Girolami, Glazo's chair-

man, has gone out of his way recently to scotch ideas that the company can keep on expanding at the rate of recent

years. Mr Stephen Buermann, an analyst at the New York office of Merrill Lynch, sums

Barrings per 10p share were 5.6p (4.4p) and the interim divi-dend has been raised to 0.9p,

AB Ports



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INTERNATIONAL CAPITAL MARKETS

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US borrowers look abroad for support

international loans market is MCA, which calls itself the biggest entertainment concern in North America with assets

including Universal Studios. li has asked National West-minster to arrange a \$500m five-year credit to establish a core group of international relationship banks to support MCA into the 1990s."

The standby financing, extendable at the bank's option to seven years, is aggressively priced. It carries an annual facility fee of one-sixteenth per cent (6.25 basis points) and a margin on drawings of 12.5. basis points, rising to 17.5 for

basis points, rising to 17.5 for drawdowns over 50 per cent. There appear to be several reasons why US companies are making such moves, not least of which is the growing inter-national nature of their busi-ness. MCA is, for example, likely to build Universal Stu-dios theme parks in both dios theme parks in both Europe and Japan.

The changes in bank capital requirements and the con-straints felt most particularly by US banks also mean that standby financings are more tightly priced in the interna-tional market than in the US domestic market, although the difference may only be two or

three basis points. Bankers at European institu-tions also claim American corporate treasurers are according increasing importance to the fact that the world's most highly rated banks are now

concentrated outside the US. Marketing this line, European banks increasingly see the US as a legitimate target

EUROMARKET TURNOVER (\$m)

Primary Market FRN Other 337.9 9.178.2 233.0 8.412.7 542.3 2.258.4 808.7 1.741.7 Straights 1.991.8 1.160.6 1.202.3 894.5 01 5185 8.0 355

Secondary Market 12,696.5 10,721.6 15,839.5 10,693.4 1,101.7 4,995.0 6,662.4 956.7 3,506.7 5,420.3 993.5 4,718.0 25,039.4 774.5 4,353.7 14,991.7 Work to September 15, 1968 Source: AIBO

New Issue

THE TREND for US borrowers to establish and broaden their relationships with non-US such deals to its credit this banks is intensifying. The lat-est US borrower to tap the cessful banks in translating this into deals, although Credit Suisse First Boston heads the field with 10. One aspect of the deal has

caused controversy among bankers: a cap on increased costs. Most loan agreements costs. Most loan agreements allow for a renegotiation of fees in the case of increased capital costs for lenders. The MCA deal is unusual in that it places a lid on these costs, at 16.25 basis points, 10 basis unints above the original fee points above the original fee level.

At a time when banks are scrutinising their off balance-sheet exposure because of capital costs, this cap is regarded by some as risky.

by some as risky. Yet while in some bankers' minds the cap is pitched at an aggressive level in a financing that is tightly priced anyway, others doubt whether increased cost clauses offer much protection for banks anyway. Bankers struggle to find examples where banks have reopened negotiations on such an issue.

Italian borrowing perks up flagging Ecu sector

INTERNATIONAL BONDS

viced a shot in the arm for the flagging Ecu bond market. By the end of this month, Italy will have raised Ecu4.25bn in four- and five-year Treasury bills this year, including a Ecu1bn issue to be launched on September 23. These securities have emerged as the perfect swap vahicle as the perfect swap vehicle. helping raise cheap, floating-rate funds in Ecu or a variety

of other European currencies. Indeed, several Ecu bond issues launched in the past two weeks, including the Eculoom five-year bonds issued Thurs-day for Caisse Nationale Des Télécommunications, have Télécommunications, have used Italian Treasury bonds to effect a swap. Crédit Commer-cial de France, lead manager of the CNT deal, said proceeds of the bonds, which were assigned a 7% per cent coupon but priced to yield 7.86 per cent, were swapped into float-ing-rate Swiss francs. The high-yielding Italian government bonds are pack-aged into an asset swap to pro-

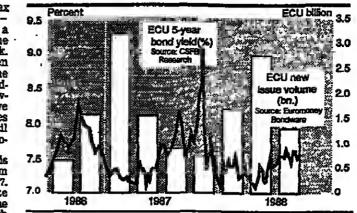
aged into an asset swap to pro-vide lower cost floating-rate Ecu, with the borrower using the difference in yield to subsidise the loan. fronically, it was Italy's deci-

THE ITALIAN Government's sion to impose withholding tax borrowing programme has pro-vided a shot in the arm for the and then to double the rate a

year ago - that makes the arithmetic for the swaps work. But lately there has been growing confusion about the mechanics of italy's withhold. ing tax policy. As a result, several borrowers who might have wanted to use the securities are bolding off, waiting until the Government simplifies pro-

cedures for foreign investors. Currently, withholding tax is 12% per cent, increased from 6% per cent in September 1987. In order to compensate investors for the effects of the tax, yields have to be much higher than those on other Ecu bonds. For instance, the coupon on the Government's five-year Ecu bond to be launched on September 28 is 8% per cent, compared with the "theo-retical yield" on a five-year Ecu bond on Friday of 7.96 per cent. But non-Italian residents cent. But non-lialian residents who purchase the bonds have a very good chance of getting their tax money back, making the real yields on the bonds very high indeed. According to Mr Maurizio Lauri, of Laurt and Partners, the Rome-based tax consul-tance. Helt has tax traction

tancy, Italy has tax treaties



with about 40 countries prohib-iting double taxation of each ting double taxation of each other's nationals. In most of these countries, including the UK, tax withheld by Italy on the interest payments on the bonds may be applied as a tax credit in the investor's home country. However, not all gov-ernments are so obliging. In Finland and several other Scandinguian countries for

Scandinavian countries, for instance, the Government requires purchasers of Italian Ecu securities to obtain their refund from the Italian Gov-ernment itself. Mr Lauri says: ber 9. There, the proceeds were swepped into Danish kroner, but lead manager Deutsche Bank may have acted as the swap counterparty, gaining the benefits of West Germany's tax treaty with Italy.

By contrast, the UK Trea-sury's own plans to issue Ecu bills beginning October 11 will have few direct benefits for the Ecu Eurobond market, except for the added stature the plans will give the currency.

1.5

For one thing, the Treasury has announced there will be no withholding tax on its securi-ties. In addition, the maturity is too short to be beneficial for the Eurobond market. The Italian Government has been issu-"In Italy, the fiscal authorities are a little bit slow, meaning ing Treasury bills in Ecu since 1982, which have never proved especially useful for Eurobond you can have your refund in five years' time."

One way around the difficult mechanics of Italian taxation for these borrowers, requires While Japanese investors have periodically shown an interest in Ecu, officials at the bank arranging the swap to take on the Ecu bonds, taking the tax credit for itself and securities bouses agree that their current demand is slim. Indeed, their indifference was deemed partly responsible for the difficulty that New Zea-land's Ecul00m seven year Eurobond of last week had passing on some of the benefits Some dealers speculate that this transaction may have been staying inside its 1% per cent fees. At one point, the bonds fell as low as less 2% per cent used for Copenhagen Telephone's Ecu75m five-year Eurobond launched on Septem-

although lead manager Banque Paribas said it was able later to place about 60 per cent of the issue in Europe. While part of the Naw Zea

21

land Eurobond's misfortunes stemmed from the imminent close of a Japanese fiscal year, there is increasing anxiety about long-term Ecu bonds.

In particular, Japanese investors are beginning to focus on what will happen to the composite yield on Ecu bonds when the peseta and the escudo – two high-yieldiog currencies – are added to the Ecu next September. Officials at Banque Paribas estimate that if the two currencies were added to the Ecu today, yields

would be 20 to 40 basis points higher than they are now. The befty volume of Ecu Eurobonds in the past two weeks has had a noticeable effect on bond yields, far more so than expectations of the recomposition of the currency. According to the new issues

manager at Crédit Commercial de France. Ecu Eurobood yields have narrowed to 14 basis points below the theoreti-cal Ecu bond yield, from about 30 just two or three weeks ago.

Euromarkets Staff

s introducing a new o the Euro commer-					•		NEW INTE	ERNATIO	NAL BOND ISSU	ES						
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NEW ISSUE These Notes having been sold, this announcement appears as a matter of record only.

this announcement appears as a matter of record only

REAT STRANGSTRATING LASS

September 1988

Polly Peck International Finance Limited (Incorporated in Grand Cayman, Cayman Islands, British West Indies)

Swiss Frances 125,000,000 5 % % Guaranteed Bonds 1988-1994

guaranteed by

Polly Peck International PLC

(Incorporated in England and Wales)

S.G. Warburg Soditic SA The Long-Term Credit Bank of Japan (Schweiz) AG **Overland Trust Banca**

Alpha Securities AG Dresdner Bank (Schweiz) AG

Amro Bank und Finanz BA Finance (Switzerland) Ltd. Bank in Langnau Banque Bruxelles Lambert (Suisse) S.A. BIL Banque Internationale à Luxembourg (Suisse) S.A. DG Bank (Suisse) SA Mitsubishi Bank (Switzerland) Ltd. The Nikko (Switzerland) Finance Co. Ltd. The Royal Bank of Canada (Suisse) Sumitomo International Finance AG Taiyo Kobe Finanz (Schweiz) AG Unigestion S.A. Mitsubishi Trust Finance (Switzerland) Ltd.

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U.S. \$95,000,000



Saga Petroleum a.s. (Incorporated with limited liability in Norway)

10½% Unsecured Notes Due 1993

Credit Suisse First Boston Limited Citicorp Investment Bank Limited Manufacturers Hanover Limited Goldman Sachs International Corp. Bank of America International Limited BNP Capital Markets Limited **Deutsche Bank Capital Markets Limited Commerzbank** Aktiengesellschaft LTCB International Limited **IBJ** International Limited **Morgan Stanley International**

22

INTERNATIONAL CAPITAL MARKETS

UK GILTS More a bulge than a 'temporary blip'

IF THE rash of statistics released last week left the gilt-edged securities market largely unchanged on the week, it did prompt analysts to have a closer look at inflation and its likely path over the next 18 months. What this review reveals is

that the market is cantious about the claim of Mr Nigel Lawson, the Chancellor, thet a rise in the recorded rate will amount to a "temporary blip." The logic of some forecasts is that it could well resemble a less than temporary bulge.

Last week's data were all about inflation and they all carried unwelcome signs of potential problems ahead: wholesale prices rising at the upper end of their 4½ to 5 per cent range in August; the growth in whole economy earnings up to 9 per cent in July; and retail prices inflation (5.7 per cent in August) knock-

ing on the door of 6 per cent. August retail sales and the Bank of England's weekly banking return were also wor-rying for the market. A ½ a percentage point rise in sales in August after a 2.4 per cent rise in July indicated that consumers' demand continued to grow at a rapid rate.

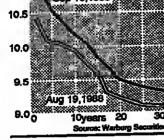
Taken with the weekly notes in circulation figures, which showed a 10 per cent rise in the second week of September compared with a year ago, the retail sales figures served to underline the market's ner-vousness about when the economy will react to the monetary

The Bank is simply puzzled by the apparent acceleration in the use of notes. It thinks the postal dispute may have something to do with it, hut does not advance this explanation with much confidence. It does not, however, believe there has been a pick-np in demand over and above that indicated hy

the retail sales figures. And so to inflation. Booming consumer demand based on an apparently expanding mone-tary base, manufacturers wid-ening their margins and pushing up final retail prices, earnings rising just ahead of the autumn pay round, and the effects of mortgage interest payments on the retail price index all combine to tell a fairly nasty tale for the fixed-

interest investor. A month and a half ago the Government let it slip that

UK gilts yields Related as par (%) Sep 16,1988 .



inflation during the first half of the year would rise to about 6 per cent. Warburg Securities and James Capel think it will peak at around 7 per cent dur-ing the first output of 1990

peak at around 7 per cent dur-ing the first quarter of 1989. Interestingly, however, the two houses diverge on the likely rate of inflation at the end of the year: these are views which will probably come to represent the opti-mists and pessimists of the market Warburg believes market. Warburg believes inflation will be about 4.7 per cent in the fourth quarter of 1989, while Capel thinks it will be about 5.5 per cent.

Warburg's view is based on the assumptions that wage inflation does not accelerate and that the pound is not sig-nificantly weaker than current levels. The argument on wages runs as follows; workers will be satisfied with past and current gains in disposable income and, if they are not, companies will not concede too much more because of concern over the future. The sterling view is based on the Government not accommodating domestic rises in costs through devaluation.

By contrast, Capel identifies a pick-up in the underlying rate of price rises - from around a monthly rise in prices of 0.3 per cent to 0.4 per cent and sees no reason to suppose this will not carry on well into 1989. It also pencils in a "modest" rise in pay settlements of % a percentage point to 6.5 after the current round is com pleted. "This implies inflation will remain stable at 7 per cent for the first half of the year before falling back to 5½ per cent by the end of the year."

Fed Funds (weekly a

Stx-month Treasury bills Three-month Treasury bills Three-month prize CDs ... 30-day Commercial Pape 90-day Commercial Pape

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f Estimated par yiel Simon Holberton

This appouncement appears as a matter of record only.

reserves to each other, is still about 8% per cent and will probably stick there in the UNMOVED by a string of good economic news, Wall Street credit markets have grown reluctant to push their rally further, fearing the recent slowdown in the US economy may be only temporary. Not even the best US trade performance in three and a half years could stir up bust-

US MONEY AND CREDIT

in oil prices.

series of meetings.

near term. The strong dollar may be one of the Fed's reasons for being e bit stingy about sup-plying reserves. The central bank may be resigned to hav-ing to sell more dollars in the half years could stir up bustforeign exchange markets to ness last week. Bond prices curb the currency, a move which inevitably adds to

ness last week. bonu prices rose briefly on news of a \$9.53bn deficit in July but were promptly knocked back by a hurricane-induced upward blip reserves Even if the rally has stalled it was nice while it lasted. After the US employment data After the US employment data for August showed a sharp drop in the rate of job creation, bond prices rose in 11 of the following 14 sessions. The yield on the Treasury's benchmark 30-year bond fell the best part of half a point to just under 9 per cent. Little is likely to happen this week either, although the mar-kets run the danger of being hit hy a ricocheting central banker or finance minister as the gentlemen hustle backwards and forwards in a busy Markets are expecting no dramatic changes of policy per cent.

However, the markets have taken subsequent economic direction when the Federal Reserve's open market commit-tee meets tomorrow. Although Fed governors and reserve bank presidents will be pleased data as only corroborating evidence of a summer slowdown, rather than reason for further reductions in interest rates.

with current trends, they will be too cautions to slacken monetary policy before it is more clearly established that the economy is cooling and It looks as though the job data trading play is exhausted and, worse, a curmudgeonly contrarianism is creeping into some analysis. Thus, the smaller than inflationary pressures easing. The Fed has declined in the

expected trade deficit was seen past fortnight to follow the markets' lead in the reduction some as too good to be true. The S.9 per cent fall in imports included e big drop in capital goods, implying a lack of new of interest rates. The Fed fund rate. at which hanks lend

US Treasury yields

Sep 9, 1988

7 Se al Sep.15, 1968

6 1 2 3 4 5 7 10 30 months years Source : Technical Data Int. (London) investment by industries run-

when they cannot meet demand for their products, prices will rise.

rate. The 0.2 per cent drop in

The uz per cent drop in Angust's retail sales was simi-larly subjected to a negative interpretation in some quar-ters. It was argued that with incomes still growing strongly, a rebound in consumer spending was likely in coming

months. With data this week expec-ted to underscore the well-es-tablished weaker August trend, the markets are anxious to get a more current picture. Their first chance comes on October 7 with the release of Septem-ber's job figures, which could

BALIA 10 PL

well show a pick-up in economic activity. Mr Robert Brusca, chief New

Mr Robert Brusca, chia New York economist of Nikko Secu-rities, wrote in his weekend commentary: "The feeling of the market seems to be that the economic situation may be good - even better than expec-ted - but it can't last.

"All the inflation indicators are suspicious. The trade pic-ture is nagged by deteriorating fundamentals even as it continnes to look better."

September's rally owes a lot, particularly at the long end of maturities, to a bunch of tech-nical and temporary factors ather than economics.

Collectively, they could have suppressed the yield on 30-year Treasury bonds by as much as a point, judging by the flatten-ing of the yield curve. All Trea-ration year than one year suries longer than one year yield between 8 and 9 per cent, while the 10- to 30-years show virtually no differentiation.

Griggs and Santow, the firm of money market economists, believes it is possible the curva will invert with short maturities yielding more than long.

There are at least three main There are at least three mann factors. Firstly, dealers have had large short positions for months. Secondly, Jepanese investors have bought net between \$9hn and \$10bn of Treasuries in the past month. And thirdly, supply has shrunk

Rally stalls despite firm economic pointers because a high volume of long bonds has been stripped of interest portions to make zero coupon bonds and because the Treasury has issued no long bonds since May.

> Stripping totalled \$5.3bn last month, about two and a half times the average volume of recent months, with Drexel Burnham Lambert accounting for almost half the total. These high-quality zero coupon bonds are in strong demand from both institutional and retail investors, still reluctant to put their money into the stock

market. The markets also failed to set too excited last week about falling commodity prices, such as gold which fell to a 17month low of \$415 for the December futures contract in New York.

New York. They were jittery, however, about the roller-coaster ride of oil. Initially oil prices were pushed down by the old fears of Opec over-production, next they bounced up on the pros-pect of Hurricane Gilhert knocking out US and Mexican production, then they fell seam. egain.

Crude oil prices have faller 17 per cent since May. Although a welcome trend, big-ger news is needed on the inflation front if the bond markets are to sustain a rally.

Roderick Oram

DTB may co-operate with foreign clearer

and the second second

By Halg Simonian in Frankfurt

FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

THE Deutsche Termin Börse (DTB). West Germany's planned financial futures and plannea mancial interes and options exchange, is consider-ing co-operating with a foreign clearing organisation to clear its futures and options con-

tracts. This is contrary to earlier indications that clearing would be done enclusively by German hanks using software pur-chased from the Swiss Options

hanks using software pur-chased from the Swiss Options and Financial Futures Exchange (Soffex). The DTB, which is a comput-er-based exchange due to open at the end of next year, has bought a complete trading package from Soffex, including computer software for clearing contracts automatically. However, at least one of the banks behind the project is pressing for a review of alter-native clearing arrangements on the grounds that Soffer's system may not entirely suit the DTB's requirements. While it is unlikely the lead-ing German banks behind the DTB would contract out such an important function as clear-

orrest would contract our such an important function as clear-ing to a foreign company, it may be that some consultative link with a leading clearer could be established.

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NRI TOKYO BOND INDEX PERFORMANCE INDEX

14/9/88

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US MONEY MARKET RATES (%) 4 wis 12-month ago High 12-month Low

Moreover, exports rose only 0.5 per cent, confirming the levelling off in their growth

K/S DIFKO LXII



A Company owned jointly by private investors as limited partners.

DKK 552,000 LONG TERM FINANCE FA

A 10 year Facility for the acquisition of the two Danish Kattegat ferry lines (Mols-Line & Grenaa-Hundested Line) previously owned by the shipping group J. Lauritzen A/S.

Arranged and Lead Managed by Hafnia Merchant Bank

Lead Participants

Standard Chartered Bank

Bank of America NT & SA

Participants

Bergen Bank International S.A. NMB Bank **PKbanken** International (Luxembourg) S.A.

United Bank of Kuwait plc

Postipankki Ltd Gotabanken

Kleinwort Benson Limited

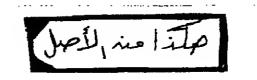
Hafnia Merchant Bank



Hafnia Merchant Bank Ltd. A/S, Capital Markets, 24, Borgergade, DK-1347 Copenhagen K. Telephone +45 1 11 27 33. Telex 22 386, Telefax +45 1 93 01 55.

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NOMURA

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE 15th September, 1988

NEW ISSUE



U.S.\$50,000,000

5¹/₂ per cent. Guaranteed Bonds due 1992

with Warrants to subscribe for shares of common stock of Howa Machinery. Ltd. The Bonds will be unconditionally and irrevocably guaranteed by The Industrial Bank of Japan, Limited

Issue Price 100 per cent.

Nomura International Limited

New Japan Securities Europe Limited Wako International (Europe) Limited Barclays de Zoete Wedd Limited Robert Fleming & Co. Limited Maruman Securities (Europe) Limited

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IBJ International Limited

NEW ISSUE

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These securities have been sold outside the United States of America and Japan. This announceme appears as a matter of record only.



ITOMAN & CO., LTD.

U.S.\$230,000,000

47% per cent. Guaranteed Bonds 1992

with Warrants to subscribe for shares of common stock of Itoman & Co., Ltd. The Bonds will be unconditionally and irrevocably guaranteed by

The Sumitomo Bank, Limited

Issue Price 100 per cent.

Daiwa Europe Limited

Banca del Gottardo Bankers Trust International Limited Barclays de Zoete Wedd Limited Dresdner Bank Aktiengesellschaft Goldman Sachs International Corp. KOKUSAI Europe Limited Meiko Europe Limited Morgan Grenfell Securities Limited New Japan Securities Europe Limited Norinchukin International Limited Salomon Brothers International Limited J. Henry Schroder Wagg & Co. Limited Société Générale Universal (U.K.) Limited

Nomura International Limited Sumitomo Finance International

16th September, 1988

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Bank of Tokyo Capital Markets Group Banque Indosuez Baring Brothers & Co., Limited Fuji International Finance Limited IBJ International Limited LTCB International Limited Mitsubishi Trust International Limited Morgan Stanley International The Nikko Securities Co., (Europe) Ltd. Saitama Finance International Limited SBCI Swiss Bank Corporation Investment banking Shearson Lehman Hutton International Sumitomo Trust International Limited Wako International (Europe) Limited

Yamaichi International (Europe) Limited

16th September, 1988

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NISSI-O CORPORATION (Kabushiki Kaisha Nissho)

ALLINET LLERIGO

ter of record only.

U.S.\$120,000,000

5 per cent. Guaranteed Bonds due 1992

Warrants to subscribe for shares of common stock of Nissho Corporation The Bonds will be unconditionally and irrevocably guaranteed by The Sanwa Bank, Limited (Kabushiki Kaisha Sanwa Ginko)

with

Issue Price 100 per cent.

Nomura International Limited

New Japan Securities Europe Limited Daiwa Bank (Capital Management) Limited

Norinchukin International Limited Baring Brothers & Co., Limited Cosmo Securities (Europe) Limited Deutsche Bank Capital Markets Limited Fuji International Finance Limited IBJ International Limited Merrill Lynch International & Co. Nippon Kangyo Kakumaru (Europe) Limited Tokai International Limited Universal (U.K.) Limited Sanwa International Limited Morgan Grenfell Securities Limited

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NEW ISSUE



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YUASA SHOJI CO., LTD.

U.S.\$50,000,000

5½ per cent. Guaranteed Bonds due 1992 with

Warrants to subscribe for shares of common stock of Yuasa Shoji Co.. Ltd. The Bonds will be unconditionally and irrevocably guaranteed by The Sumitomo Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

KOKUSAI Europe Limited SBCI Swiss Bank Corporation Investment banking

Kyowa Finance International Limited Baring Brothers & Co., Limited Robert Fleming & Co. Limited Merrill Lynch International & Co. Salomon Brothers International Limited Tokai International Limited Sanyo International Limited Sumitomo Finance International

Barclays de Zoete Wedd Limited DKB International Limited Meiko Europe Limited New Japan Securities Europe Limited Takugin Finance International Limited Westdeutsche Landesbank Girozentrale

A member of The Securities Association and The International Stock Exchange of the United Kingdom and the Republic of Ireland

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FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

INTERNATIONAL CAPITAL MARKETS

broker

in Sydney

By Chris Sherwell

Greenland taps foreign banks for first time

By Stephen Fidler FOR THE first time in its history. Greenland is raising money abroad. At a stroke, its inhabitants will take on more foreign debt per head of popu-lation than Brazil. The Greenland Home Rule

Anthority has asked Chase Investment Bank to raise DM140m (\$74.6m) from international banks. That is DM2,605 (\$1,388) for avery man, woman and child in the community, which compares with the \$857 per head owed to foreigners by every Brazilian.

According to the memorandum going out to prospective bank lenders, Greenland which had a population on January 1 1987 of 53,733 -has to date taken on no for-eign debt of any kind. Its only obligations are domestic ones, either to the two Greenland hanks or from the Danish capital market.

Greenland gained the status on May I 1979 of a self-govern-ing community within the Kingdom of Denmark, adopt-ing a similar system to that of the Fsroe Islands which started home rule in 1948. Greenland is following the

Farces - population 46,312 -into the international capital market. The islands' Government signed a six-year loan this week, also arranged by Chase, which was so popular among international banks that it was increased in size to DM60m from DM45m. The loan carries s margin of 4 percentage point over moneymarket rat

Greenland is paying a higher interest rate margin, however: 3 point on a five-year financing.

There is no explicit Danish state guarantee for the loan, although to comfort bankers there is a letter from the Danish Prime Minister confirming the relationship between Den-mark and Greenland.

The financing is being raised, along with DKr600m (\$83.3m) in the Danish mortgage credit market, for general financing purposes and capital investment, which includes development of the country's fishing industry. Greenland has run a trade

deficit for at least the last six years, the 1987 shortfall amounting to DKr1.1bn.

plan with L1,100bn rights By Alan Friedman in Milan THE LARGEST fund-raising operation of the year on the Milan bourse gets underway

this morning with the launch of a L1,100bn (\$785.7m) rights issue for Assicurazioni Gener-ali, Italy'a biggest insurance group and the third ranking holders. insurer in Europe. The Generali equity offer of

110m new shares is designed to help finance a development strategy that has as its main feature the purchase earlier this year of a minority stake in Compagnie du Midi, the diver-sified French insurance com-Midi The Midi saga has seen the

Trieste-based Generali pay a total of L599bn for an 8.52 per operation. cent stake on the advice of

By Karen Fossii in Oslo

STATOIL, Norway's troubled

state oil company, is to raise about NKr300m (\$45m) through the sale of a 1 per cent stake in Statpipe, the 800km gas pipe-line which connects into the

Norphpe which supplies Nor-

way's continental customers. The purchaser is Conoco

cal company.

Lazard Frères of Paris and Mediobanca of Milan, the two merchant banks which are also Generali's largest single share-

Generali finances growth

Mediobanca and Lazard have bought a further stake in Midi and, with Generali, the three allies control about 12 per cent ames control about 12 per cent of the French company. Gener-all, meanwhile, has been tight-lipped about its ultimate plans in France, having thus far heen met with a frosty response as it sought a voice in

The Milan bourse, which has not seen a single rights issue of this size since 1985-86, is eagerly awaiting the Generali Generali, which along with

Fiat is the leading blue chip on the Italian stock market, is the world's second biggest insurer in terms of market capitalisa

FIRST BOSTON, tha US investment bank, is to buy MacNab Clarke, one of Austration (\$13.7bn). Its 1987 consoli-dated group net profit rose by 3.9 per cent to L468.8bn, while total pramium in coma increased by 23.9 per cent to lia's top institutional brokers, for an unspecified sum. The acquisition will signifi-

increased by 23.9 per cent to L9,717bn. Msanwhile, Msdiobanca reported net aarnings of L120.5hn in the fiscal year ended June 30, up 6.6 per cent from L113bn a year earlier. Net income was determined after setting aside L101.3bn in provisions for bad loans and adjustments in the value of cantly expand First Boston's presence in Australia. The group opened a representative office in 1971 and in 1996 pur-chased a fixed income dealer to become involved in the line. become involved in the local deht securities market.

It also reduces further the handful of independent brokers adjustments in the value of left among Australia's competi-

The creation of First Boston Australia Equities, as the new entity will be called, gives the US group a base in the Austra-lian equifies market. For Mac-Nab Clarke it offers access to First Boston's comparate clients First Boston's corporate clients and allows an extension of its institutional services to the US and Asia and growth in Europe, where it already has a London office.

As research-based brokers, the two groups hope to benefit from the integration of their highly respected research operations. Mr Tony MacNab, managing director of MacNab managing director of Machao Clarke, said his firm would have a global research and dealing capability that would have taken up to 10 years to achieve without First Boston.

Bass terminates Macmillan offer

Maxwell Communication for

The investment group said it was pleased that its willing-ness to initiate a lawsuit against the management's pro-posed restructuring and to begin a tender offer led to "a full and fair price." Meanwhile, Ramada, the US hotel chain, said its board

by a company owned by the Pritzker family of Chicago as "grossly inadequate." The bid valued Ramada at \$397m.

First Boston US units help boost to acquire **Bertelsmann net** Australian income to DM260m

BERTELSMANN, the West German publishing group, said its group net income climbed 26 per cent in fiscal 1988 as it moved ahead of schedule in the integration of its recent US acquisitions, AP-DJ reports. The commany which became

years, from the five years origi-nally planned. After that period, the com-pany is likely to consider a fur-ther expansion of its US busi-ness, possibly in the magazine and trade journal sector. Acquisitions in Japan and forays into the electronic media are also on the agenda, the chairman said. The private-ly-held company is not planacquisitions, AP-DJ reports. The company, which became the world's largest media group when it acquired Doub-leday and RCA/Ariola Records for about \$900m in 1996, also said it would be financially ready for further acquisitions from 1990. Mr Mark Wassner chairman

from 1990. Mr Mark Wössner, chairman, said net earnings climbed to a the chairman said. Its private-ly-held company is not plan-ning any public share offering to finance takeovers, but wants to finance them out of reserves preliminary DM260m (\$139m) in the year anded June 30, from a revised DM207m a year earlier

Gronp sales rose from Gronp sales rose from DM9.1bn to DM11.5bn, confirm-ing Bertelsmann's position ahead of Mr Rupert Murdoch's News Corp, Capital Cities/ABC and Time. Bertelsmann's new US units generated DM3bn of tion notes. turnover growth exceeded his earlier predictions of a 14 per the group's total turnover. cent increase.

Norsk Hydro chemical plant hit by explosion By Our Osio Correspondent

AN EXPLOSION yesterday at s unsure how long VCM stocks in another plant in Sweden can sustain requirements to meet demand for polyvinyl chloride vinyl chloride monomer (VCM) plant in sonthern Norway owned by Norsk Hydro, Norway's largest publicly quoted company, could force produc-tion to shut down for several months, Norsk Hydro says. Gas leaks and fires were Norway, the UK and Sweden. VCM is used to make polyvi-nyl chloride. The Norwegian plant has an annual production.

brought under control and there were no injuries or deaths. But Hydro says it is of 300,000 tonnes but it had been producing in excess of design capacity.

as Bank of Montreal treasurer Mr Wössner said the integra-tion of Doubleday and RCA was going faster than origi-nally planned, reducing the By David Owen in Toronto

MR GEORGE NEAL, vice-president and treasurer of Bank of Montreal, the third largest Canadian chartered bank, has resigned to take up a post at Manufacturers Life, the financial consolidation phase for these acquisitions to three years, from the five years origi-

The 45-year-old Newfound-lander will leave in mid-October to assume his new position as executive vice-president

Neal quits

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with responsibility for invest-ments. He has spent his entire 24-year working career with the bank. No replacement for Mr Neal has yet been named. Canadian banks have this

year been lobbying vigorously for the right to sell insurance products through their branches, as part of an ongoing deregulation of financial seror another issue of participa-Bertelsmann's profit was in line with a forecast given by Mr Wössner in March, but the vices.

vices. • Onex, the C\$2bn Toronto-based packaging, courier and airline catering company, and Ball Corporation of Indiana have formed a joint venture to acquire Onex Packaging for C\$11 a share, or about C\$200m (IS\$164m).

(3311 a share, or about Catom (US\$164m). Onex and Ball will be equal shareholders in the venture. Onex currently holds about half of Onex Packaging. On completion of the deal with Ball, Onex will receive about C\$90m, with half of this hence reinvested in the venbeing reinvested in the ven-

ture. In the six months to June, Onex earned C\$16.5m on reve-nues of C\$943m.

The venture will provide Ball with an opportunity to enter the Canadian packaging I market.

Shell Brazil to dispose of gold mine

Our resources are scarce so we decided to invest more in projects that have not been affected by the new ruling," he three weeks after Brazil's new constitution restricted mineral The Ibiajara project was to produce 100kg of gold a year. Until recently, Shell had been searching for a Brazilian part-ner for the deal.

trolled companies, Renter reports from Sao Paulo. Mr Omar Carneiro, acting president of Shell Brazil, said the company had decided to sell the Ibiajara mine in the martherm state of Pabla northern state of Bahia. "Our decision to sell Ibiajara

is primarily one of priority.

zilian unit of Alcoa of the US. Brazil has huge bauxite reserves in the north. Last year, foreign interests accounted for 38 per cent of ths

\$90m spent on mining research, according to Brazil's National Association of Geologists.

The new law foresees that Instead, Mr Carneiro said the foreign voting capital will be company would invest \$290m. limited to 49 per cent in joint in the next two years in an ventures with local concerns, aluminum project in the state of Maranhao in partnership gold output, with 84 tonnes in with Alcoa Aluminio, the Bra- 1987,

All of these Securities have been sold outside Canada. This announcement appears as a matter of record only------ This announcement appears as a matter of record only. as we make at search and even somether to to the New fssue September 1, 1988 New issue 30th August, 1988

Norway, the Norwegian subsid-iary of Houston-based Conoco, which is in turn a subsidiary of offset high costs incurred in transporting gas which it sells Kristian Foss, Norway's oppo-sition Conservative party to a consortium of buyers on the Continent. The formula governing the gas prices has reduced Conoco's receipts to less than the cost of the operaspokesman for energy affairs, recommended that Statoil sell Du Pont, the largest US chemi-Mr Martin Bekkeheien, Statassets to increase its capital cil vice-president of explora-tion and production, said the deal could be expanded by an ratio. The Conservatives have also long advocated semi-priva

Conoco agreed. For Conoco, the purchase

represents a significant break-through. The Norwegian sub-sidiary has sought unsuccess-

fully for several years to win its parent's approval to acquire a stake in the pipeline to help

For Statoil, the deal could be tisation of Statoil.

Norway may ease curbs on ownership By Our Oslo Correspondent

NORWAY'S Ministry of • An increase in the size of a Industry has proposed easing single foreign voting share restrictions on foreign owner-ship in industrial companies to stake from 10 per cent to 20 per cent: try to hring in capital which has been difficult to raise because of the lacklustre • Permission to allow mixed Norwegian and foreign board members, providing the chair-man and majority of members domestic stock market and

high interest rates. is Norwegian. Currently, having foreign board members dis-qualifies a company from hold-The minority Labour Government's proposal, which must still clear the Storting ing Norwegian status. (Norway's parliament), calls for:

The ministry stressed, how-ever, that the liberalisation • A boost in foreign owner-ship of voting shares from 20 was meant to harmonise the law with current practice and was linked to voting shares to per cent to 33 per cent;

allow unlimited subscription of non-voting shares by foreign-

assets.

Traditionally, foreign owner ship has been restricted to 10 per cent in banks and insurance companies, 40 per cent in shipping companies and 20 per cent in industrial companies,

On Friday, Hafsland Nycomed, the diversified Nor-wegian group with interests in pharmacenticals, energy and metals, was given permission to expand foreign ownership of voting shares to 33.3 per cent of the total, from 20 per.

stocks held in portfolio. In the previous fiscal year, it made provisions of L65.3bn. tive securities fraternity. Statoil to sell pipeline stake additional 1 per cent share if the first of other asset sales as

the company struggles to lift its capital ratio - its equity has fallen to between 10 and 12

per cent of total capital. How-ever Mr Bekkeheien said the company was not in talks with

other companies to sell other Earlier this month, Mr Per

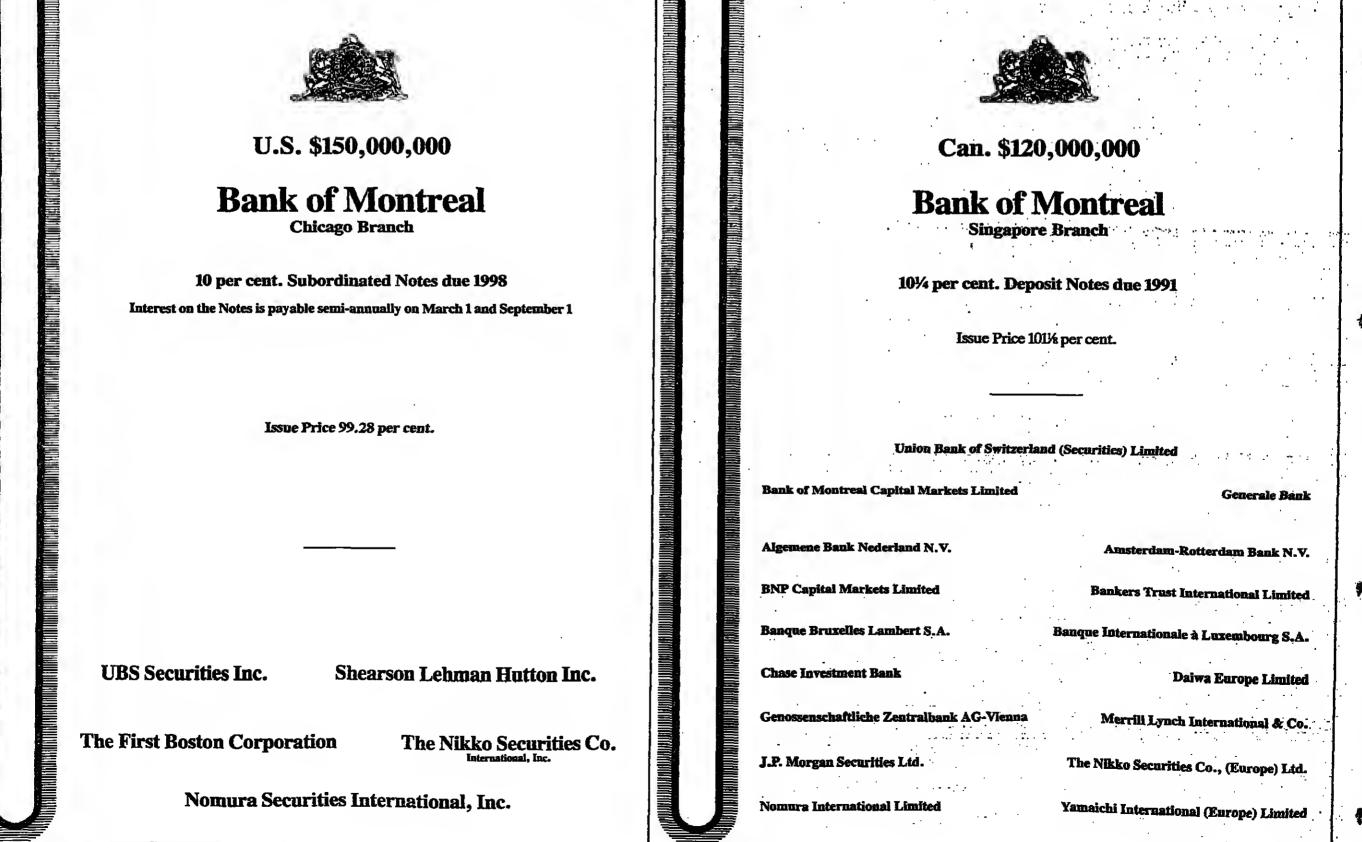
THE Robert M. Bass Group is terminating its \$75 a share ten-der offer for Macmillan, the US publisher, because of an offer from Mr Robert Maxwell's

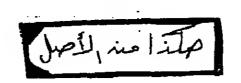
about \$87 a share, writes Our Financial Staff.

unanimously rejected an unso-licited \$10 a share takeover bid

SHELL BRAZIL, a unit of Royal Dutch/Shell Group, has begun negotiations to sell one of its main gold projects, just

exploration to Brazilian-con-







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FINANCIAL TIMES

intensify as UK consumer spending grows. Successful companies are expanding further, while takeovers and concern about saturation in some sectors indicate that trading may become even tougher, as Maggie Urry reports. Much harder to succeed

TIMES ARE getting tougher for the retail industry. Despite the boom in consumer spend-ing in recent years, many stores groups have found trad-ing difficult.

The sector has fallen from favour with the City, and the outlook is getting bleaker, as competitive and cost pressures

Mr Geoffrey Mulcahy, chief executive of Woolworth Holdings, summed it up in Febru-ary this year when he gave shareholders his view of the

next five years. He said: "The need to build on quality and competitive advantage is further reinforced by signs within the retail sector of a moderation in the rate of growth in consumer expen-diture, on the one hand, and possibly excessive expenditure in high street refurbishment and space expansion on the. other

For some time, retailing has been regarded as one of the growth sectors in the changing structure of UK industry. Its closeness to the consumer, and an erroneous idea that retailing is simple, has attracted many new entrants.

Meanwhile, the less successfol participants in the industry. have realised - or had the realisation forced upon them through takeovers or falling

profits - that they can no longer take it easy. The likes of the Littlewoods high street chain, the Co-opera-

The fight for market share continues to

> tive societies, department stores such as Debenhams, even the Post Office, have been more actively trying to woo

At the same time, the successful players have stepped up their plans for expanding their winning formulae. Marks & Spencer, for instance, has increased its rate of store openings and widened its range of ...

So, despite the growth of consumer spending in recent years — as wage increases have outstripped inflation and the unemployment figures gradually drop — which has meant a larger cake to he divided between retailers, the fight for slices of that cake has

intensified In the stock market, retailers' shares - once a sector which always commanded a premium to the market - have suffered and fallen to a 20-year relative low point. Even so, at the end of August, Mr John Richards, retail analyst at County NatWest WoodMac, the ecurities firm, was prepared to say be could not recommend

that investors huy a single share in the sector. -- The fact is that retailing is



Customers in a Sainsbury's Homebase Do It Yourself store

UK Retailing

not the young and growing industry it is often thought to be, buit a mature husiness, win a larger than fair share of the extra volume will pit giant against giant. dominated by a relatively small number of large groups.

The top 10 retailers currently

The amount invested hy The amount invested hy companies in the sector in recent years is staggering, and requires a high level of profit-ability to be justified. Much of it may turn out not to be. "One estimate," says Mr Mulcahy, "puts the retail industry's total investment since 1982 at over fisher the

account for just over quarter of total retail sales, and the top hundred have 55 to 60 per cent. Following a spate of acquisitions and mergers, the hig groups are now competing more directly with each other, since 1982 at over £15bn; the and the independents left are often ones which have suramount invested is thought to have grown by 15 per cent per annum in real terms over the vived because they have some-thing special to offer. period."

Even if consumer spending About a third of that £15bn has gone into property as retailers-have expanded rapcontinues to rise, albeit at a slower pace, the scramble to

idly. The fear now is that Britain will become overshopped - a concern which is prevalent in the food retailing industry and is perhaps even more pressing in the

Do-It-Yourself sector, where soma operators reckon there are only two or three years of vears expansion left.

Retailers have also spent heavily to improve the look of their shops, with the aid of design groups, in an attempt to attract customers who are becoming far more discriminating about the kind of shop they are prepared to enter.

Consumers - in recent years far more vociferous and

dy to complain are say ing increasingly that shopping is becoming less pleasurable, despite the retailers' attempts to make it a leisure activity.

The latest idea to strike retailers - although it has been apparent to shoppers for - is that customer service is often poor and if improved could more than pay for itself through higher sales and profits,

A recent study of successful retailers by the retail manage-ment consultancy group of Peat Marwick Mitchell con-cluded that "customer service has clearly not always been the

CONTENTS Food retalito

li order	•	Co-operatives Store cards	
alling in the US	*	Store cards	
			-

TOP TEN UK RETAILERS*

	Sales excl.VA7
Sainsbury (Incl. Homebase, excl. Savacentre)	£4.34br
Marks & Spencer	£4.17br
Tesco.,	£4.12b
Des Corp	
Gateway, Wellworth and Medicare)	£3.77br
Argyll (Inci. Mojo, Snow King)	C3 23br
Asda (incl. MFI and Ass. Dairles)	£2.72ba
incl. Comet, B&Q, Superdrug, Charlie Brown's, Kids	store), £2.17br
Boots (includes Children's World)	£1.98br
John Lewis group (Includes Waitrose)	£1.5br
Scars group (includes Freemans, Lewis's)	£1.48br
Financial years ending Jan-April 1988	
Source: Corpore	te Intelligence Group

upparmost priority in all

One retailer even said: "If any retailer says he is happy with his customer service he is not telling the truth." Another admitted: "Concentration on the bottom line and productiv-ity. has squeezed out the customer.

It is astonishing that any industry could so seriously neglect those who pay the hills.

Many retail groups are now emphasising their spending on staff training. W. H. Smith, for example, is training its staff to know the stock more thoroughly, so that if a customer wants an item which is out of stock or not carried the assis-tant can recommend a suitable Iternative and keep the sale.

Stores realise increasingly that a customer cannot be told to return in a couple of weeks if a product they want is not available. Shoppers are no longer so docile, and there are plenty of competitors who will have the goods in stock.

Information will be one of the retailer's hest weapons. Knowing who their customers are and what they want to huy will give retailers power, which is one reason behind the push by many groups to recruit store card holders, a good way of building op cus-tomer profiles.

It also gives an advantage to mail order companies which have huge lists of customers. with frighteningly detailed information about them. Systems which ensure rapid

replacement of stock have also become vital for retailers. Elec-tronic point of sale (Epos) terminals are becoming commonplace, and the major retailers have investment programmes to install them in all their shops over the next couple of years.

Retailers can capture infor mation about the goods sold and use that to re-order stock and find out which lines are selling fast and need to be held in greater volume. That infor-mation can be used effectively only if there is the distribution system to back it up.

Many groups are now spending heavily to improve their warehousing systems, a trend which is particularly noticeable among food retailers

M & S's multi-user warehouse system, which was launched early this year and is being phased in to cover all general merchandise in the next three years, is a particularly impressive process allow-ing rapid re-ordering and deliv-ery of stock to shops from distribution centres.

This allows M & S to hold less stock – with obvious financial benefits – yet offer a better service to customers. It has clear repercussions for its suppliers.

The expense of setting op such systems is not the only cost increases retailers are suffering. Much has been said about the sharp rise in rents for retail property, and the effect of the change in the rating system in 1990.

Retailers are also facing rap-idly rising staff costs. Declining school rolls in the UK, and therefore fewer school leavers, will make it tougher to attract people to retailing, which traditionally has been lowly paid.

And if staff are to be trained to offer a heter service, a higher quality of staff will be needed - in the US many shop staff are graduates.

If costs are rising faster than inflation, and worse if competi-tion tends to hold shop prices down, the battle to gain volume will become ever more intense. The fight will be fasci-nating for observers, if painful for the participants.



Spending power soars

Higher earnings have contributed to record sales

IN BROAD-BRUSH economic terms, the past year has been one long party for retailers. Spending power has soared as earnings have risen at an annual rate of more than 6 per cent. Saving is out of fashion and there have been of fashion

The result has been record sales hy shops. In the three months to June this year, retail sales were nearly 6% per cent higher than a mer before cent higher than a year before.

This ebullience of the con-sumer has been linked, almost hy definition, to the recent strength of the British economy. Consumer spending - of which retail sales account for about half - has largely led the extraordinary upturn in activity in the last two years.

What lies ahead, however, is a matter of some uncertainty. There are signs that the second half of 1988 could see a turning point with the strong upward trend in consumer spending correcting itself - or, probably more likely, being corrected by Government action. Retailing will be in the front

line if, or rather when, economic growth begins to slow. The Government believes the economy is expanding at an unsustainable rate, worsening the current account deficit and pushing up prices, and has to be slowed - and admits it will largely be consumers who are put under pressure.

Rising interest rates are the main symptom. Higher mort-gage rates will cut spending power directly, while putting up the cost of borrowing may slow consumer credit.

There is hoth a direct and psychological effect. Typically, a 1 per cent rise in the interest rate means an extra £15 has to be paid each month on a £30,000 mortgage. The high degree of gearing up among property owners - particu-larly the young - means the effect of an interest rate rise is multiplied.

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Interest rates are widely expected to rise further within the next six months - perhaps to more than 13 per cent. This may upset confidence, which could be damaging in itself.

Perhaps more interestingly, there is now less talk in the City about income tax cuts in next year's Budget than there was earlier this year.

This makes it possible to project that retail sales will grow only slowly, or even stag-H.

For instance in July, Staniland Hall, the husiness fore-casting group, predicted that growth in consumer spending major increase in interest rates



at constant prices will fall from 4.7 per cent in 1988 to 1.4 per from current levels, spending will continue to grow fairly rebusily for some time." Driving consumer spending

inflation.

forward are a number of fac-tors hut it is earnings that

stand out as the major influ-

ence. In strict economic terms the incoma of consumars,

unless taxed or saved, will be

Since the beginning of last year, personal disposable

incomes, after allowing for

inflation, have grown at an

annual rate about 5 per cent. Average earnings growth has

far outpaced consumer price

This buoyant trend is set to continue, albeit not quite as

fast. Average earnings increases, which include over-

Savings are likely to con-

number of wage earners.

cent next year and then remaining below 2 per cent until at least 1992. "Wa do not expect boom conditions to return during the next five years," it said. In practice, there is probably a lot to remain cheerful about.

Many of the underlying factors affecting consumer spending growth remain strong. The big-gest danger is that Government mis-management, or unforescen economic events, will turn what should be a genthe tap on the brakes into a hard crash landing.

Among City analysts, there is widespread agreement that consumer, spending will slow - but it will remain fairly strong. Typically, growth rates of 5.5 per cent and 3 per cent for this year and next respec-tively are being forecast.

Consumer spending is going to be underpinned by continuing growth in real earnings and also by non-financial per-sonal wealth - particularly house prices," says Dr Gerard Lyons, chief UK economist at SBCI Savory Milln.

tinue to account for a small proportion of income. In 1987, the savings ratio - the propor-tion of income saved - fell to "The consumer is a resilient animal." says Mr Kevin Gardiner, UK economist at Warburg Securities. "Unless there is a 5.4 per cent, the lowest level for 28 years.

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The accuracy of this mea-sure, which is simply calcu-lated from the residual of incomes and expenditure, has been seriously questioned hy many independent economists but it is probably a fair indicator of trends.

Figures for the first quarter of this year suggest there has been little bonnce back. Rela-tively low inflation and the easy availability of credit are just two factors which have -and seem likely to continue to - reduce the need for saving.

Credit itself, which has helped fuel retail sales, also shows few signs of weakening. Use of credit by consumers with the exception of borrowing for house purchases - is generally acknowledged as insensitive to interest rate changes.

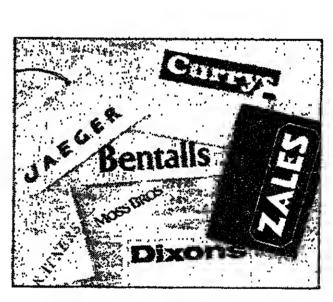
Moreover, the scale of credit expansion should not be erag-gerated. Figures supplied hy the Bank of England to the House of Commons Treasury Select Committee in March show the growth of outstanding consumer credit has been steady since the early 1980s at between 16 and 20 per cent a year. This growth rate could easily continue into the 1990s. Borrowing too seems robust Backing up the recent rise has been a rise in personal sector wealth. Net financial wealth (assets minus liahilities) suffered during October's stock-market crash, but the level in the last three months of 1987 was still above that at the start of the year. Other forms of wealth - particularly house - hava remained buoyprices

Rising wealth not only underpins borrowing but is a form of spending power in itself. The most notable symp-tom is the growth in equity withdrawal on the hack of escalating house prices. This is an area that would weaken if the Government succeeds in taking the fizz out of the housing market. Yet it is not the Govern

time payments, may slow, but this will be offset by falling unemployment increasing the ment's intention to engineer a collapse in consumer spending Unless pressed, it would prefer Inflation, although widely to wait to see the effect of expected to rise toward 6 per cent by the end of this year recent rises through fear of over-reacting.

and the beginning of next, seems unlikely to average The consumer is the main target of the Government's much above 5 per cent in 1989. interest rate policy. Just as it does not wish to see spending continuing to rise as fast as it bas, it could lead the economy into recession if it caused it too fall too far.

Rainh Atkins



TFS: helping to increase retail profits

Sales to overseas tourists, worth billions of pounds every year, are highly profitable to retailers, and the VAT refund service provided by TFS for the UK retail trade is warmly welcomed.

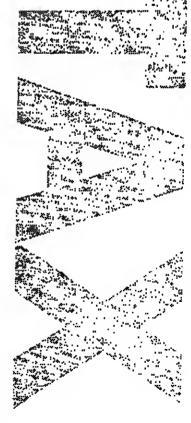
TFS invests heavily in promotional activities abroad. often in conjunction with the BTA, designed to attract greater numbers of visitors to Britain. Similar campaigns in this country remind them of our efficient VAT refund service, and direct them to shops and stores in which it is available.

The TFS service is completely free of charge to retailers, and has shown itself able to increase profitable export sales. There are individual documented examples among our clients who have recorded increases in VAT refundable sales of typically 20 - 25%, and in at least one case 100%, after introducing the TFS system.

a major British industry.

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RETAILING 2

FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

Niche businesses

Stock market turns

THE STORY of Sock Shop sounds suspiciously like a Thatcberite fairy tale come

Sophie Mirman started off as a secretery who worked ber way out of the Marks and Spencer typing pool, Richard Ross began his career as an accountant in a swanky City firm. They met. They married. Then they dreamt of starting a husines

The money men sneered at the prospect of a shop that sold nothing but socks. So they went ahead on their own. When the first Sock Shop

opened, in the depths of a London Underground station, Sophie cycled off to collect supplies of socks from Victoria Station and their evenings were spent dusting the shelves. Four years and more than 40

shops later, Sock Shop went public on the crest of the "niche retailing" wave. Like Body Sbop before, and Tie Rack after, Sock Sbop came to the stock market on an improbably high p/e only to see its flotation enthusiastically oversubscribed.

The success of Sock Shop Body Shop and Tie Rack encouraged a stream of imita-tors. Suddenly the High Street was crammed with specialist and would be specialist shops selling anything from door knobs to knickers.

Established retailers that had been too dozy in the past to diversify restyled them-selves as bright, new "niche" retailers.

But stock market sentiment has turned against the specialists. They have suffered, along with the rest of the retail sector, from concern at the erratic outlook for consumer spending and rising retail rents. But earlier this summer when Mrs Fields, the US cookie company, forecast a fall in profits, the shares of all the other niche

retailers slumped too. Ostensihly, there is little logic behind the assumption that poor cookie sales in Calif-ornia should bode ill for Body Shop's cocoa butter in Camden Town. But the City's hysteria was indicative of a deeper concern that as the specialists grow larger, they will find it difficult to maintain momentum and that they lack the management strength to make the leap into becoming higger, more substantial companies.

Specialist retailing is scarcely a novel concept. But the "niche phenomenon" began in the early 1980s, when Britain was beginning the long. haul out of economic recession.

"The development of compa-nies like Body Shop and Tie Rack was a response to the consumer boom: to higher lev-



The arrangement suited both

Our Price performed poorly

well that W.H. Smith has not

only increased the number of Our Price outlets, to more than

200, but has acquired the

smaller Virgin record shops. W.H. Smith is now involved

uperdrug nam

parties. Our Price lacked the

Sock Shop: went public on crest of a wave

independent. Two years ago, after establishing a chain of 130 record shops, its founders sold out to W.H. Smith for 200 hy the end of the year, and Sock Shop to over 100 outlets. One of the initial concerns about the niche retailers was that, as specialists in particular product areas, their growth potential would be exhausted as they approached saturation. necessary capital to continue expansion, while W.H. Smith, which had tried and failed to So far the specialists have ohviated this prohlem hy expanding overseas. Body Shop set up its own specialist record shops - Sounds FX - in the previous year, lacked the already established in more than 30 countries; Tie Rack will soon have 30 shops in the US; Sock Shop has ventured into New York, and is now entrepreneurial flair to estab-lish its own niche husiness. in the first year after the acqui-sition. But it has since fared so moving into France.

"The potential for expansion is enormous," says Ms Mirman, chairman of Sock Shop. "When we went public last year we thought there would be room for 140 or 150 Sock Shops in the UK. Now we are thinking in terms of 400 shops in the UK alone. Then there is the US. in a similar exercise with Pap-erchase, the chain of specialist And then the rest of Europe."

The need to develop the resources to manage a more substantial business is rather more daunting. As a specialist retailer grows larger it must strengthen its central management team; tighten financial controls; and expand product development so that it can take advantage of the economies of scale available to a larger busi-

In the meantime its profit margins will probably suffer, while it invests in senior staff and ploughs capital into new shop openings.

The consensus in the City is that Body. Shop - while as idiosyncratic as ever in its management style - is already well advanced in this respect; consumers." The Rack is making progress; while the smaller Sock Shop has only just begun.

chain, are examples in point. However, identifying a single clear pattern in all this activity is less easy. Certainly, there is an element of add-on or infill as geographical or niche retailing coverage is cemented. Perhaps the best examples on this score lie in food retailing, and in the steady absorp-tion of regional snpermarket companies hy their national counterparts. As the Tesco offer for York-shire-based Hillards demon-strated, it is very difficult for a regional chain, whose financial

ťα resources are inevitably more

NO ONE could claim that corporate activity within the retail sector has been slack

bid scene, pre-crash deals took in tha acquisition by Argyll of

Safeway's UK operations, Tesco's offer for Hillards, and - away from the food retail

market - Next's purchase of Combined English Stores.

In the wave of takeovers which hit the market just after the October stock market col-

lapse, two retail deals featured prominently: Sears' £477m offer for Freemans, the mail order business, and Barker & Dob-son'e ambitious £2bn assault

on Dee Corporation. Since then, on a somewhat smaller scale, corporate deals have continued to flow. Dix-ons' acquisition of Wigfalls,

Ward White's battle for A. G. Stanley and, across the Atlan-tic, Marks & Spencer's pur-chase of the Brooks Brothers

over the past 18 months. At the chunkler end of the

MAIL ORDER has been eclipsed for some years by the excitement generated in high street retailing. The share of total retail sales taken by mail order has gradually declined in the 1980s.

stationery and gift shops. And the financial weight of Wool-worth is accelerating the expansion of the three drug But now there seems to be a mewhat hrighter ontlook for the sector, and with that a new name - home shopping appropriate since the Post Office has lost much of the husiness to the companies' own delivery services. The companies involved,

store businesses - Superdrug, Share Drng and Tip Top - it has bought over the past two years and now runs under the Yet most of the niche retail-ers prefer to perceive their which have perhaps been slower than the high street future as independent forces. So far companies like Sock Shop and Tie Rack have been ehops to innovate, are now beginning to bring new ideas to the home shopping market. Beneath the surface, change has been making home shoptoo small to detract from the market shares of the multiples. Although the growth of the ping a more attractive way for specialists has undonbtedly

retailers to reach customers. At its simplest, the huge rise intensified competition, thereby prompting the multi-ples to offer a wider choice of in high street shop rents has made the relative economics of home shopping look more enticing. That was just one reason Mr George Davies, chairman and chief executive products and better service to A recent report from Verdict Research, the retail analysts, suggested that the specialists of Next, wanted to take over Grattan, then one of the three independent agency mail order are now approaching the size at which they will pose a more serious threat to the multiples. groups, in 1986. Retailing tends to move in The launch of the Next cycles," says Mr Bubh of Mor-gan Stanley. Directory in January is a milestone in mail order history. It "In the early 1980s groups was the first attempt to hring a big catalogue directly to a midlike Burton, Dixons and Next became the new stars of the dle class andience. And its sector and took over from comemphasis on 48-hour delivery did away with the old idea of panies like UDS and Combined English Stores. Perhaps Tis Rack and Sock Shop will join their ranks. We shall see." 14 or even 28-day delivery how the satellite television used in the group's William Hill betting shop chain, to times in mail order. However, Next was not lone. At the same time Sears, Alice Rawsthorn bring events at the race track into the shops, might be used for home shopping. Mr Tony McCann, managing director of Littlewoods' home a high street retailer like Next, was taking over Freemans, the second of the independents to Already Sears has plans to put its high street shop names - such as Miss Selfridge, Map-pin & Webb, and Olympus shopping side, says that cable television technology exists today which could bring inter-Sports - into Freemans' cata-logues. And Marks & Spencer has produced a catalogue for active video into homes. But it depends on the cables being laid throughout the country. Either way it will probably be the mid-1990s before elecome furnishings business. its h More recently, Au Prin-temps, the French retail group tronic home shopping arrives. More immediately, the sector which has a controlling stake

THE CREAM of Chicago society received a transparent

parchment envelope contain-ing an invitation to pay \$225 to

honour fashion-designer Karl

Lagerfeld. The cabaret-style dinner, scheduled for September 23, is a benefit for the Chicago Sym-phony Orchestra and a celebra-tion of the opening of Bloom-ingdale's flagship mid-western store

The opening of Bloomingdale's in downtown Chicago highlights the \$10hn gamble by Robert Campean, the Canadian shopping mall magnate, that a

shopping centre owner can do

as much for department stores as the famous retailing names

have done to make shopping mails the prime retailing anvi-

mails the print retaining any ronment in America. More than half of the US's retail sales now come from mails, which grew 5.4 per cent in 1987 to \$584bn. According to

the International Council of Shopping Centres, in 1987 they exceeded the number of post

offices or secondary schools in

Over the past year, Mr Cam-peau has bought the retailing conglomerates Allied Stores Corp. and Federated Depart-

ment Stores which includes

snch well-known names, besides Bloomingdale, as Abra-

ham & Strans, Burdine's,

Rich's and Jordan Marsh. He sees value in the famous old

store.

America.

limited, to mount a successful defence against the deep pock-ets of the major companies. The outcome, then, hinges on little more than the level of the bid price against shareholders'

loyalty. Small wonder that Hillards' defeat leaves only a smattering of quoted regional chains outstanding. Even among these, Dundee-based William Low has attracted a fair measure of hid. speculation and possesses a sub-stantial charcholder not renowned for its passive investments, in the form of Sir

At Normans, in the form of Sir Ron Brierley. At Normans, the discount food retailer, a Brierley com-pany also sits on the share reg-ister. The point at which this type

of add-on activity borders on protectionism - in the sense that potential competitive forcee are restricted - is debatable. While the larger companies will always argue that the additional space fills a key geographical need, losing parties tend to take a less char-itable view.

Certainly, Bennett & Fountain, the rapidly-expanding electrical goods retailer, was less than delighted to find its recommended £14m paper offer for Wigfalls overtaken by a flom cash offer from Dixons. It promptly described the new offer as "a defensive move to

keep us out," but against the resources of the established player it had little choice but Wigfalls, with equal reason,

Elusive pattern in takeovers switched its allegiance to the umbrella, with the design team higher offer, while Dixons at the centre firmly maintained that the Dee, meanwhile, spent sev-

A continuing shake-up has cut the number of supermarket chains

sites involved presented "a good opportunity" Inevitably, too, there has been a tendency for certain spates of corporate activity to be stimulated by the misfor-turns of othere tunes of others.

It is, perhaps, no coincidence that the two prospective mega-deals to emerge recently — the-potential £1.8bn offer from property group Mountleigh for Storehouse and the £2bn bid for Dee Corporation from Barker & Dobson - involved companies whose underlying "retail concept" was in doubt. It would not be stretching the parallel, moreover, to note that attempts by these two companies to establish their ideas involved substantial earhere acquisition activity. That, in turn, led to the issue of a good deal of entra paper, and as the strategy proved slow to produce results, share under-performance became the unfortunate corollary.

While Dee and Storehouse maintain that the inherent logic of their strategies is obliged to be patient, praying that the promised benefits will work through eventually.

In Storehouse's case, the cornerstone to the strategy is the Conran-led design concept, with a belief that the likes of BHS, Richard Shops, Heals and Habitat can all benefit from heing under one corporate

another trend which has been

another trend which has been marked recently. The border-line between property and retail interests has always been flimsy, and the powerful property boom on Britain's high streets has inevitably-luned in the occasional proper-ty-hased predator. Dee, meanwhile, spent sev-eral years mooping a number of the medium-sized and generally fairly downmarket grocery chains in the belief that these could be combined into one organisation, with subsequent operating efficiencies. ty-hased predator. Perhaps a classic recent of

operating enciencies. What both predators picked on was the fact that - partly for a variety of practical, retail-ing reasons - the meshing process had gone astray. was footwear retailer Stead & Simpson, which fell victim to an unwanted flown approach from Clayform Properties. Haprom chaytorm riopercies, hap-pily for Stead, with a good number of its voting shares concentrated in family-related or friendly hands, the bid

Mountleigh, a property com-pany, presented plans which envisaged a break-up of the Storehouse group, with the dis-posal of its constituent chains posal of its constituent chains. to different buyers. It was turned away by the incumbent management and never forced the issue with a full bid. Barker & Dobson worked on similar lines - this time plan-ning to retain about 750 "mid-dle ground" Dee stores under

dle ground" Dee stores under its own management, but sel-ing on other interests. In fact, neither predator was successful. Drswing lessons

from the failures, however, is difficult, with market movements over the past year scarcely providing a stable background to any bidder's Perhaps the fact that no one else has leapt into either situa-

And Next's foray in this area has provoke further distribution (the tiny Benlox group aside), suggests that demergers in the stores sector face more tion-related acquisitions: it has now picked np two newsaobstacles than are sometimes supposed. Mountleigh's involvement

gency chains Alfred Preedy, chains, Dillons and Nikki Tait

proved abortive - though it is left with an uncomfortably

One theme in the sector has been the steady push into cer-tain niche retailing areas;

another, the development of new retail ideas, where acquisi-tion activity has offered the

most obvious expansion route.

On the latter score, perhaps, the most dramatic example is

the push into "home shop-ping," and the growing fashion among high street retailers to

develop mail order-related businesses. Next'e acquisition

of Grattan, for example, was swiftly followed last year by Sears' bid for Freemans.

large shareholder.

direct mail is growing fast enough to make up for the rel-ative decline.

A recent report on the sector A recent report on the sector by the Corporate Intelligence Group, a retail sector research firm, concludes that "mail order's core business is still the traditional mainstream agency catalogue selling on credit to lower income groups." The arrival in recent years of The arrival in recent years of "specialogues", small cata-logues aimsd at a particular type of customer, was bailed as the method to rejuvenate the sector. While some have been very successful — such as Great Universal Stores' Com-plete Kit — others have fallen plete Kit - others have fallen by the wayside.

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Mr Alan Dean, chief executive of N. Brown, a mail order group solely involved in direct mail and specialising in clothing for older woman of larger sizes, argues that specialogues can succeed only if data bases are detailed enough to allow sufficiently specific targetting of customers to ensure a high

response rate to a catalogue. He gives the example of being able to pick out from his

certain height, size or shoe size in certain geographical areas.

Home shopping retailers are increasingly bringing high street hrand names to their

catalogues. Next Directory, although not offering identical

merchandise to the shops, is essentially bringing the brand

from putting its high street brands in the Freemans' cata-

Sears clearly sees a benefit

And Littlewoods' launch of a

new catalogue, Imagination, soon after the Next Directory, also features a number of

well-known brand names such

as French Connection, Top Man and Levi's.

says: "People feel much hap-pier with brands, rather than

unbranded goods, especially on

direct mail where they are pay-ing for goods much earlier."

Mr McCann of Littlewoods

name to home shopping.

logue.

with Storehouse leads on to Mail order sales have a brighter outlook **Trying new ideas** Transla in seall and as

Trends in mail o	raer							
	1980	1981	1982	1983	. 1984	1985	1986	1987
Mail order sales (£ mn)	2,054	2,010	2,140	2,240	2,405	2,665	2,870	3,170
Non-food retail sales (£ mn)	31,608	33,925	36,715	40,540	43,930	48,205	52,675	57,480
Mail order as % of non-food sales	6.50	-5.92	5.83	5.53	5.47	- 5.53	5.45	5.51
Sales figures are exclusive of VAT								

Source: Corporate Intelligence Group esti

per cent stake in Empire Stores, the third of the trio-of independent agency groups. The suggestion is there will be co-operation between Empire

ordering - now largely done

is in a state of transition. There are conflicting views on whether mail order can regain

to 15 or 20 customers and makmarket share from the high The traditional agency mail order system — where one per-'--son would have a catalogue and encourage family and friends to huy from it, taking a three friends.

That has meant the compato per cent commission - has nies have to print more cata. been growing more alowly than - logues and deal with more the retail sector as a whole.

ber of people.

ing a business out of the catalogue. With more women working, the number of customers per agent has declined, and typically one agent acts for family and perhaps two or

Direct mail ~ where no

agent is involved - has been

the fast growth sector in home

shopping. However, the agency husiness still accounts for

nearly 90 per cent of the total

housewives, were often selling

in La Redoute, a leading mail order business, has taken a 25

and La Redoute. The convenience of shopping from home has increased as technology has improved

els of affluence and higher lev-els of aspiration," says Mr Nick Bubb, retail analyst at the Morgan Stanley securities group. "The mediocrity of the multi-ple retailers created an opportunity for small specialists which could satisfy consumer demand for convenience and service

Today these specialist retailers are no longer quite so small. Body Shop has more than 300 shops. Tie Rack's chain will have grown to over multiple, rather than remain

For a specialist that fails to make the "leap", there is always the consolation that one of the multiple retailers will douhtless be waiting in the wings able and willing to pro-vide the management resources - and capital - that

Our Price Records is a clas-sic example of a niche retailer that opted to merge with a

it needs.

by telephone - and speeded. delivery.

ing space.

In years to come, home shop-pers will be able to select and order their purchases using their TV sets. Most of the major mail order groups are investigating electronic home shopping systems. Mr Geoffrey Maitland Smith, Sears' chairman, is looking at

Originally the extended

"free" credit offered by mail order companies was practically the only way for poorer people to buy on credit. Now the much wider availability of credit cards and personal loans

has changed that. Also the agents, usually home shopping sector, and analysts question whether

	(% of total sa	ales shown)	
	1985 £2,665 min	1986 £2,870 mm	1987 £3,170 mm
GUS/Kay	42.8	42.1	41.3
Littlewoods	24.8	24.0	24.5
Freemana	13.1	14.0	14.0
Grattan	9.8	10.7	11.0
Empire Stores	. 6.1	6.2	5.9
N. Brown	21	2.4	2.8
Others	1.3	0.6	0.5
Total	100.0	100.0	100.0

Maggle Urry

Dodge, a real estate information service, estimates that in the first half of 1988, mall owners spent almost \$650m reno-

vating existing facilities. The 14 per cent increase is necessary because "a mall that was built 15 to 20 years ago doesn't have the amenities they do today," according to Herman Renfro of Melvin Simon & Associates.

The company is revenping 30 of its malls over the next two years, compared to only six in the past three years. New amenities include food centres, children's rides, a more careful mix of shops emphasising high fashion and the addition of natural light, waterfails and architectural

features. Robert Campeau was following an established formula in buying big retailing names to anchor new malls. But having spent so much, he has to hope that entertainments - or the economy - do not sink his strategy. Frank Lipsius

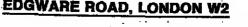


Klein. Even more of a challenge than speciality shops are the "super malls" that go beyond shopping altogether to attract people with entertainment. When Hooker Corporation entered the American market, it surveyed shoppers and found that antertainment was the mall's greatest attraction. As a mall's greatest attraction. As a result Hooker is planning five snper malls,

Its first, Forest Fair in Cin-cinnati, will have a 18-hole miniature golf course and base-

ball batting cages. With more than half the country's malls built at least 15 Department stores, which have become increasingly fashionyears ago, extensive renova-tion is necessary to keep up with the new competition. F.W.

5



Triple fronted prime redevelopment site fronting Canal near Little Venice on busy main thoroughfare.

Proposed plans for 1100 sq feet to 2000 plus square feet retail space plus 8 or 9 residential flats.

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THE CHANGING FACE OF RETAIL.

BACKING

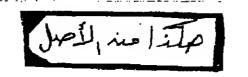


The Listening Bank

MIDLAND RETAILERS GROUP

Call: David Jessop, Richard Cave. Tel. 01-260 8787

C MIDLAND BANK DIC. 1988.



conscious, are substituting store hrands for designer lines to cut costs and resist the price-cutting that affects com-Corp., an Ohio-based mall developer, tried to come to the rescue of Allied Stores. Campean ultimately won Allied for \$3.6bn bat divided the spoils petitive hrands. For example, Macy's has its with DeBartolo. own 80-strong designer group, while other retailers produce copies of the latest fashions. The Federated manoeuvres cost \$6.6bn because Macy's ran the price np from an initial

5

offer of \$47 a share to \$80. In Store brands havs grown to the end, Macy's gave up the struggle in return for two of Federated's West Coast retail 30 per cent of dspartment stores' clothing inventory, against only 6 per cent in 1981 This hrsak-up of the long-term alliance between chains, I. Magnin and Bull-OCK'S By the end of the Campeau assault, the constellation of designers and department stores is also resulting in

retailing names even though their fortunes have suffered at American retailing was funda-mentally altered. From Allied alons, Campeau sold Brooks the hands of shopping centres. Developers use well-known retail names to "anchor" mails that make their money from Brothers to Marks & Spencer

ths smaller shops that pay for \$750m and Bon Wit Teller high rents and a percentage of their revenues for the remainto L.J. Booker, the Australian mall developer. The whole industry was saddied with enormous debt, which created a ripple effect.

US shopping centres are having to change

well-known labels starting

their own speciality shops. The new retailers include the likes

of Christian Dior, Williwear,

Despite the price break and the appeal of their name, department stores have paid a high price to shed their dowdy Robert Campeau's acquisition of Lazarus department stores, image. High investment and the vicissitudes of fashion -including last year's flasco part of Federated, forced a staff cutback of almost 10 per cent. Macy's shed 250 of its 9,500 with women's rejection of short skirts - did little to employees, and Bloomingdale's was forced to consider ways to cut soom from its annual oper-ating budget. Such economies are being blamed for retailing's lacklus-tre result through the summer. improve their lot. A shopping centre builder buying department stores was such a potent idea that compet-itors did not sit idly by while Mr Campeau pursued the take-over. Edward J. DeBartolo

ан. К. Т.

You don't attract over 7 million customers a week just because you stock galia melons.

If you want to know why some companies are more successful than others, the answer lies amongst the details behind the big figures – in this case; a turnover of £4,119 million.

The 7 million customers who shop at Tesco

We stock 141 varieties of fruit apart from galia melons, as well as 97 different varieties of vegetables.

Many of our household products, such as cleaners and disinfectants, contain Bitrex, the

.

27

every week aren't interested in our pre-tax profits of over £240 million, but they're very interested in a high quality shopping experience and the simple fact that Tesco stocks galia melons is only one way in which we provide just this.

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Our wine range has gained a reputation for quality that's made us the second largest wine retailer in Britain. most bitter substance known to man. This is a unique attempt to reduce the appalling annual toll of 10,000 accidental poisonings of small children.

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To encourage more healthy eating, we've removed artificial additives from more than 400 products and carried out an extensive educational campaign.

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So far, we've made this available in over half of our petrol stations and all of our own vehicles are being converted to use it.

All of these things reflect our belief in quality in every area of our business and that's why 7 million customers keep coming back.

CHANGING THE WAY BRITAIN SHOPS.

28

A HARRING COLORS

FINANCIAL TIMES MONDAY SEPTEMBER 19 1988



The Co-operative movement

Struggling to survive

THE DECLINE of the Co-operative movement as retailer has been almost unre-lenting in the last 20 years.

From 1957 when there were more than 1,000 co-operative societies holding a 12.5 per cent share of total retail sales, the number of societies has consis-tently declined and the share of the market fallen to under 5

per cent now. "The Co-ops are dead," says one rival in the food retailing sector. Others are scathing about the long-promised revival of the movement, which has its origins in the early 19th century - when groups of workers banded together then to open shops selling wholesome food at reasonable prices, and divided the profits in proportion to their

The sceptice may yet be under-estimating the Co-ops' ability to survive, and even recover. Slowly a more realistic attitude towards solving its problems is being taken by the movement, although perhaps its worst difficulty is paralysis when it comes to translating

the will to change into action. The fall in the number of co-ops has been symptomatic of the movement's decline but could at the same time contain the seeds of its revival. The main motive for the mergers in the movement, which have reduced the societies' numbers. has been the near failure of many of them.

Hostile takeover hids are naturally, impossible in the co-op movement so the mechanism which sorts out under-achievers among public companies has not been available to



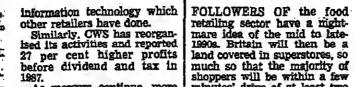
The Co-op; going for a quality

co-ops. Instead merger has often been a last resort for a society in difficulties, while successful ones have generally preferred to stay single even if a marriage would be advantageous.

Thus profitable co-ops have often found themselves lumhered with taking over and sorting out loss-making, prob-lematic societies rather than heing able to expand along more normal business lines.

size. It took some years to digest that merger, which exposed weaknesses in the However, this dismal pattern is beginning to change. The Co-operative Wholesale Socimanagement structure. ety, which over the years has picked up a number of retail plete reorganisation of its man-agement, increasing central societies, has more recently control, shortening communifound that mergers can be made from positions of

cation lines and making responsibilities clear. Mr Harry Moore, chief executive of CES, For example, the Kirkintil-loch Society, based near Glassays that reorganisation was partly behind a 24 per cent rise gow, joined the CWS in April 1987 because it had the opporin its surplus for the year ended January 1988. CRS is also taking the steps tunity to develop a £4m superstore and needed to be part of a bigger group to go ahead. The towards improving its store profile, its distribution and



As mergers continue, more such reorganisations will be necessary. There is a broad agreement within the Co-operative movement that mergers should bring numbers down 53

ALLY HERE

improving their performance.

to improve management of the co-ops. Co-operative Retail Ser-

vices, the UK's largest retail society, took over the London

Co-op in 1981, then half CRS's

in 1985 CRS started a com-

There has also been an effort

should bring numbers down until a total of 25 strong regional retail societies is reached. And there is support for a merger between CRS and the CWS's retailing activities. Mr Moore agrees with the target of 25. He believes that with that number of societies each "will be of such a size to have the resources to provide the kind of image the co-op movement wants." However, he says it could superstore opened last month. As the number of societies falls, mergers inevitably will decrease and the remaining ones can concentrate on

However, he says it could take three to five years to reduce to 25 societies. Mean-

ent national image. Sir Dennis Landau, chief execctive of CWS, points out that collectively the Co-op spends as much as J. Sainsbury or Tesco on advertising. But, he says, "a lot of it is wasted and would be better spent if we co-ordinated on a common theme.

its national competitors only by becoming one national chain with one board

of Co-operative News, the newspaper of the movement, called for greater co-operation

societies "we shall bave 25 trading policiee, 25 shop designs, 25 advertising pro-

ers and the community rather than profits.

For instance, it has stores in

The big food retailers face the prospect of saturation

Superstores taking over

UK grocers' market shares

retailing sector have a ment-	UN GIUGOI					
mare idea of the mid to late- 1990s. Britain will then be a land covered in superstores, so much so that the majority of	Tesco	83/84 %	84/85 % 12.0	85/86 % 12.5	86/87 % 13,1	87/88 % 14.0
shoppers will be within a few	J. Sainsbury	11.7	12.3	12.8	13.5	13.9
minutes' drive of at least two and probably more.	Dec	4.2	7.7	12.2	11.1	11.5
As the tronbled dreamer looks inside these superstores he sees rows of queueless	Argyli Presto etc Safeway	(5.0) (3.0)	(5.7) (3.2)	(5.7) (3.6)	9.6 (5.7) (3.9)	10.7 (6.1) (4.6)
check-outs and the aisles are strangely empty of jostling	Asda	72	7.4	7.5	74	7.6
trolley-pushers. This frighten-	Со-ор	13.8	13.3	13.3	12.4	12_1
ing vision is called saturation.	Source: Versitet Research	ch	. :	·	·	

Nor does Mr Alastair Grant,

tunities. He forsees a time

probably around 1993 or 1994 -

when it will not pay retailers

to spend £15m on a new super-

returns will be insufficient.

perhaps 15 new stores a year, of which probably 10 would be

the replacement of small stores

places such as Lancashire and

ided with modern supermar-

kets.

the current year, adding a further 562,000 sq ft. All these new shops will have to generate sufficient sales to make an adequate return on investment, and since a new superstore can cost £20m to open, business must be brisk. So far it has proved rela-

tively easy for the new super-stores to pick up trade, often from independent grocers who have gone out of business or from smaller shops owned by the same major grocery chains which have been closed.

In 1961, before the self-ser vice supermarket revolution really hegan, there were more than 150,000 grocery shops. Now there are about 40,000. At the same time the aco nomics of running superstores are such that profit margins are often very much higher,

even double, those in smaller shops. Thus there is every encouragement to the retailers to press ahead with the expan-cion which has been partly responsible for the rise in food retailers' net margins in the last few years.

The major groups are not worried by the threat of saturation. Mr Ian MacLaurin, chairman and chief executive of Tesco, argues that "fears about saturation have been greatly cash constructively. Mr David Granshy, deputy chairman of Asda, puts a date of 1995 on the arrival of saturaoverstated." He points to the rapid development of food retailing over the last 10 years and suggests that revolution will continue with new formats. tion, although he thinks it will be a gradual process with Tesco had a chain of hun-Essex nearly saturated already and others badly underprov-

dreds of small high etreet stores in the mid 1970s, and the group has been almost entirely

Food retailers' volume performance

	· ·		(UK figt	ures: 1980	= 100)			1	Ŷ
	Multiple Grocers	Small Grocers	Co-ops	Dairies	Butchera	Green- grocers	Fish- mongers	Bakers	
1980 1981	100	100	100	100	100	100	100	100	
1982	114	92	92	96-07		* *** 98***	105	. 86	
1963	123	84	92	96	94	103	102	90	
1984	130	77	90	96	97	. 104	100	96	
1985	140	77	90	93	95	. 106	96	94	;
1000	140	76	. 00	02	03	103		95	_

90

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He believes there is still a lot of growth to come from replacing small, often poor-quality

shops with larger ones. There is also the belief in the trade that the number of major nlayers will decline. At present the five leading food retailers have nearly 50 per cent of the market between them, with the Co-operative societies together holding another 12 per cent.

Many believe that one, or possibly two. of the leading groups will have to drop out. That would enable others to increase their market shares.

As for the fears of tougher competition, the food retailers are banking on brand loyalty repositioned since then. Now it has 140 superstores out of a total of 380 outlets, and Mr MacLanrin believes that gives from their customers. The likes of Sainsbury, Tesco and Safe-way, and Marks and Spencer in its food departments. have built up a brand image in their Tesco scope to continue growing for a number of years. He also points ont that customers' minds as strong as any that food manufacturers although the population of the UK is virtually static, food spending is not. As more con-venience foods are 'developed, new products launched, and have.

This has been done partly by developing a food shopping environment which takes at more exotic fruits made freely available, spending on food bas grown, though not as rapidly as retail sales as a whole. least some of the unpleasant-ness out of the chore. Asda, for instance, claims to have attracted shoppers simply by changing the decor from dull brown to a fresher green. head of Argyll, believe the out-look is one of gloom and doom but one of a shifting of oppor-

Once inside, customers are increasingly offered ranges of store-branded fresh foods, ready-made meals and packaged goods .

store because the potential In Tesco, Mr MacLaurin says, abont 50 per cent of canned and packet goods are the leading manufacturers' brands. But in fresh foods and Then Argyll's expansion programme might slip down to wine, 85 per cent or more of lines are Tesco's own label. M & S food departments offer

by larger ones. At that point each of the major retailers will be throwno other brand than its own. Sainshury's own label business accounts for about 60 per cent ing off huge quantities of cash," he predicts. And when a of sales. Both Asda and Gatemanagement team has huilt up way have, recognised the importance of own label and a company of that size, there should be the talent to use the are introducing more own-label lines.

Price wars are not expected to re-emerge. Unlike the bitter price cutting hattles in the 1970s, when inflation was high and shoppers less affluent than now, in the 1980s the majority of shoppers are less concerned about price than quality and convenience.

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So long as food retailers stick to making a good return out of their investments in superstores, the dreaded satu-ration should not herald falling profitability rather a slowing of expansion and diversification into other areas - such as a build up of non-food retailing of a move overseas.

Yet as Ms Jill Johnson, food retail analyst at James Capel, the stockhroker, says: Whether or not saturation happens, the stockmarket will worry about it, and that means



while, the co-ops could fall fur-ther behind the fast-moving developments in the retail sec-tor. Even so, Mr Moore argues, it is never too late. One of the Co-op's major prohlems is the lack of a coher-

The movement is attempting to promote the Co-op hrand thronghout the country and has launched a "Fusspots" campaign designed to give the

brand a high-quality image. But in the view of some observers, the Co-op can rival

An article in a recent issue

between the various co-ops. It said that if there were 25

The Co-op might also be hampered in the highly-com-petitive retail industry by its emphasis on service to custom-

small communities such as the highlands and islands of Scot land where other retailers do not bother. Co-op profit margins are generally well-below those of the well-known quoted

Bronps. However, Mr Moore, for one, does not believe the two motives are mutually exclu-sive. "Eventually," be says,

looks inside these superstores he sees rows of queueless check-outs and the aisles are trolley-pushers. This frighten-ing vision is called saturation. The theory is that if the major food retailers continue their current rapid expansion, within five, or at the most 10,

years there will be more super-stores - officially shops with a sales area of over 25,000 square feet - than the volume of available business can justify. When that day dawns, the argument runs, the major gro-cery chains will wake up to a

fiercely competitive environ-ment with the consequent effect on profitability. The minimal margins of the US food retailers are a frightening example

This is clearly a far too sim-plistic analysis of the likely course of events, and the position certainly will not he reached at the same time throughout the country. How-

ever, it is based on an extrapolation of current trends. Tesco, for instance, is spending fibn over three years on new stores, distribution ware-houses and electronic systems. Asda is spending the same amount in the same time with

the bulk going on new stores.

Last year it spent £169m open-ing nine superstores and plans

to open 14 in the current year.

Argyli opened 21 new Safe-

way stores in its last financial year, to March 1968, with 23 planned this year. By 1991

there will he 400 Safeways

(including conversions from Argyll's Presto stores) com-

pared with 176 at the end of March, an increase in square

footage terms from 2.9m sq ft

J. Sainsbury last year

opened 16 supermarkets, total-ling 490,000 sq ft of selling space, and plans to open 18 in

to about 6.5m.

terms.



A few words that spell success.

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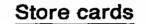
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one depends on the other. The Co-op must be strong and commercially viable to serve the community." Maggie Uny

159 92 1987 76 te Intelligence Group based on DTI officiel indic



Under more scrutiny

"IT IS certain that there are too many examples where credit is being over-marketed without proper checks being made on the likely ability of the borrower to repay." Sir the borrower to repay," Sir Gordon Borrie, director-general of fair trading, asserted in a speech last year, shortly before asking the Monopolies and Mergers Commission to inves-tigate the credit card industry. He added: "As someone said to me recently of a certain denotional to the sensity of a certain

department store - they are giv-ing away credit cards like sweeties." Yet in spite of this Sir Gor-don decided not to include store cards in the investigation being carried out by the Com-mission - a surprising deci-sion given the sharp growth in popularity of retailers own credit cards in the 1980s.

Even so, store cards are increasingly coming under scrutiny in official circles as one of the factors behind the surging consumer boom which is sucking in imports and creating an old-fashioned bal-

ance of payments crisis. It is hardly surprising, there-fore, that the leading retailers such as Burtons and Marks & Spencer have come together to form a lohbying group - the Retail Credit Gronp - to defend their role in making credit more widely available. Earlier this month, the group published figures indic-ating that lending by its mem-bers had slowed slightly over the past year. Total credit borrowed by cus-

tomers of the stores involved reached £1.12bn at the end of March this year. This was about three per cent of total consiner credit, excluding mortgages. Outstanding credit grew by 18 per cent during the financial year ended in March, compared with 21 per cent in the protection year. the preceding year. This slow-down in the rate of

credit advanced is emphasised even further by the group's fig-ures which show that credit accounts held by customers grew hy 28 per cent last year to total just under 7m. As a result, the amount borrowed per customer fell by 8 per cent

- a fall of 11 per cent in real "These figures clearly undermine any suggestion that retailers have been fuelling the credit boom," says Ms Eliza-beth Stanton, the group's direcket in 1985.

"What seems to be happening is that people are becoming-more sophisticated and responsible in using their store cards and that they pay off their bal-ances on them a hit more

quickly than previously." The overall size of the store card market is not as easy to quantify as the main credit card market, since there are many more individual retailers with their own cards in com-parison to the Visa and Access

networks. However, research by the National Consumer Council and estimates by the market research company Market Assessment puts the total number of store cards in circu-lation last year at 10.6m. This compares with an estimate of just 5m cards in 1982. This growth rate reflects the

increased realisation by retail-ers of the marketing benefits to be gained from offering their own credit card facility. "From the moment an appli-

cation form is processed, the retailer is able to monitor individual spending in terms of regularity of purchase and product choice, with cross-reference to the cardholder's per-sonal details," Market Assessment points out in a recent

report. In this way the retailer can build up a database for its most loyal band of consumers from which it can plan and target new ranges of products and The store group which has

most enthusiastically embraced its own credit cards is the Burton Gronp, whose outlets include Burton, Debenhams, Top Shop, Harvey Nichols, Dorothy Perkins, and Principles. Burtons had some 26m credit card customers at

SErvices

the end of last year, accounting for a gnarter of all cards Burton's premier position in

this market, however, is being challenged by Marks and Spen-cer which made a dramatic impact on the credit card mar-

Marks had long scorned the use of any type of credit card in its stores but found that consumers' soaring demand for-credit facilities was hard to refuse

Within six months of its launch, more than 1m Marks' customers had a credit card from the store. (Marks prefers to call it a chargecard rather than credit card, although it operstes in the same way as a Visa or Access card rather than as an American Expressstyle charge card.)

So popular has the Marks card become that by the end of last year the store had some 1.5m cardholders, rising to more than 2m at present. Last year the card accounted for 12.5 per cent of sales by value, up from 11 per cent in 1986 and 8 per cent in 1985.

Club 24, part of the Next Group, is another major retail credit card operation with over 1.6m cardbolders. It administers cards not only for Next but also for rival store chains such as Dirons, Texas, Tandy, and Etam.

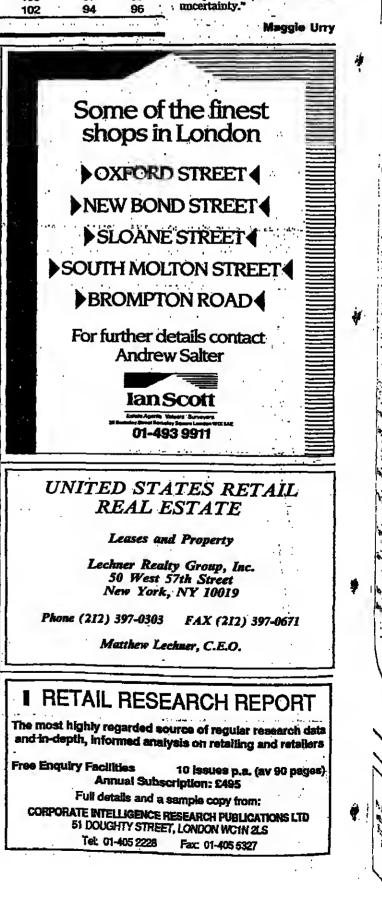
House of Fraser also has about 1.5m cardholders, while the Sears Group has some 700,000 customers with its own card.

Not all store cards have proved successful, however. The Boots charge card was phased out from April this year and is being replaced with a low-interest personal loan scheme for larger products sold

Nonetheless, the future for store cards looks bright. Market Assessment, for example, forecasts that there will be some 17.5m cards issued by 1993

"It is still a relatively young market in comparision with hank credit cards and charge cards," it says.

David Churchill



والرجين المتأوية فتحدث العادي FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

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2211) NEC, Birmingham September 27-29

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W. 10.00 Cuest Group, Wetermen's Hall, 15, St. Mery-et-Hit, E.C., 11.00 Rucroore, Regent House, Rexmore Way, Liverpool 12.00 Zygal Dynamics, Barbican Centre, Berbican, E.C. 12.00 SOARD MillETINGS-Finals; Armour Trust Barbimark, Bryant Group Cantors

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Kensington Exhibition Centre 2323) October 7-10 British Designer Show (01-385 October 10-16

egulation trends (Paris (1)

September 22-23 The Institute of Chartered Accountants: The 1988 Indus-trial Tax Conference (0908 6688333) Holiday Inn, Leicester September 22-23

October 5-8 International Furniture, Fur-nishings & Household Equip-ment Exhibition MODERN HOME (01-236 2399) Hong Kong October 11-14 October 5-10 Computer Show (0869 244738) Book Fair (01-734 0543)

Business and management conferences

Acquisitions Monthly in con-junction with Business Research International: How to buy and sell companies (01-637 4383

London Marriott Hotel, W1 September 22 The Institue of Directors: Cop-

ing with growth - directing the expansion of business (01-839 1233)

Holiday Inn, Manchester September 26 Public Issue Conferences: The industrial gas market in Britain and Europe (01-283

Gulf Information Technology

Exhibition (01-930 3881)

7962) London Press Centre,EC2

September 28- October I Local Enterprise Development Unit/Small Firms Task Force of the European Commission:

The Enterprise in Action Con-ference (0238 561993) single European market (01-930 2233)

Belfast Centre Point, London WC1 September 28-30 RIRG: Captive insurance com-panies (01-836 0614) October 17-18 International Business Com-munications: Technology for retail banking (01-236 4080) The White House Hotel, London NW1 Inn on the Park, London W1

September 30 M11 Corridor Review/Bidwells: October 20-21 Financial Times Conferences: Electronic financial services (01- 925 2323) Hotel Inter-Continental,

London W1

rate Venturing (01-836 1200) Sonesta Hotel, Amsterdam

October 25 Leatherhead Food RA: Innova-tion in the food and drink industries (0372 376761)

Professional personal comput-Hotel Inter-Continental,

Anyone wishing to attend any of the above events is advised to

telephone the organisers to ensure that there have been no changes in the details published

House, Manywella Heights, Cuhingworth, Bradford, 12:00 Real Time Control, Elion House, Elion Way, Waltord, Nerts, 12:00 Smith New Court, Institute of Charlered Accountants, Moorgate Place, E.C., 12:15 Unitech, Neward Hotel, Temple Place, Strand, W.C. 12:00 W C. 1200 BOARD MEETINGS-Flexible Interflexic Comprehensive Fin. Services Haden Macriellan Liberty Haden Macriellan Liberty Distribute Shoulend Exercise Distribute Shoulend Exercise 100 August Claiming Sydos-Pickersent OKIDENO & INTEREST PAYMENTS-Abbey Panels Inst. 12p Anglia Bidg. Society Filg Rate Nis. 1996 C11848 Black & Decker tOcs. Chapman Inds. 8/2% Tet Mig. Deb. 1980/98 4/apc Davy Corp. 425p Electric & General Inv. 125p Renopean Inv. Bank 11% Ln. 2002 5/apc. National & Provincial Bidg. Soc. Filg. Rate Na. 1958 C117.04 Nath Midland Construction 1p Portsr Chadburn 0.3p Ref Construmer Electronica 2.3p Traseury 3% IL 1982 C10562 Vantage Socurities 0.5p SATURDAY SEPTEMBER 24 DIVIDEND & INTEREST PAYMENTS-Auto Dav Gourt 6.5p Shith New Court 6.5p Shith New Court 6.5p Schith Xey Ye Un. Ln. 2009 Sign. Thesement Field Construction 10 Schith New Court 6.5p Shith New Court 6.5p S 34 pc. Da. 512 % Un, Lm. 1987/2002 24 pc. Centrovincial Estates 614 % Un. Lm. 1988/9 Japa Japa pohic Holgs, 124% Cv, Un, Lr. 1982/80

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FINANCIAL TIMES CONFERENCES

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The following events will be amongst those arranged by The Financial Times in the Autumn.

CAPITAL MARKETS WORKSHOPS 17-19 October, 7-9 November, 7-9 December 1988 - London

FT-CITY COURSE 10 October - 28 November 1988 - London

ELECTRONIC FINANCIAL SERVICES IN THE 90s 20-21 October 1988 - London

PROFESSIONAL PERSONAL COMPUTERS IN THE 90s 31 October - 1 November 1988 - London

THE OUTLOOK FOR WORLD MOBILE COMMUNICATIONS 7/8 November 1988 - London

> WORLD ELECTRICITY 14-15 November 1988 - London

EUROPE 1992 AND BEYOND: STRATEGIES FOR EUROPEAN BUSINESS 21-22 November 1988 - London

> **EUROPEAN BUSINESS FORUM** 1-2 December 1988 - Rome

FT/BVCA VENTURE CAPITAL FINANCIAL FORUM 1-2 December 1988 - London

WORLD TELECOMMUNICATIONS 13-14 December 1988 - London

Further details of these events can be obtained by contacting the Financial Times at the address below. Due to postal delays in the United Kingdom urgent requests should be sent by telefax.

All enquiries should be addressed to: The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SWIY 4UJ, Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

With the set is son company no	TICES	CONTRACTS & TENDERS	PUBLIC NOTICES	RENTALS
FINA	Ford	CONSTRUCTION OF PIPELINE The Water Utilities Corporation of the Republic of Botswana invites companies from the member combries of the African Development Bank	Court of Session, Scotland	KENWOODS RENTAL

September 19.20.21 The FT City seminar (01-925 Plaisterers Hall, London EC2 mber 20 September 20 CBI Conferences: Your annual Olympia ' report (01-379 7400) Centre Point, London International Motorcycle Show September 21-23 International Chamber of Com-merce: Investing for growth -opportunities in worldwide der-**Earls** Court

45.62.34.56) Exhibition - CHINA BEVER-AGE/CHINA BREW (0494 Istanbul Beijing

September 26⁻ October 2 International Technical Fair (0692 48111) Plovdiv (Sept. 1985) \$372.57 som (Win.) 0.5p somes Sime & Jefferles 512% Curr. Prt.

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WEDNESDAY SEPTEMBER 21 COMPANY METNIGS-Bacto Ind., St. James' Club, Charlette Streat, Maroheatar, 11.00 Flegsing Tech, Inv. Tal., 25, Copingil Avenus, EC., 12.00 BOARD MEETINGS-Flegsing Box. Bankers Iov. Bankers Iov. Addison Consultar Bank of Sociand Bank of Wales

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1230 Bechic & General Inv., 3, Finsbury Avenue, E.C., 1230 Keoyoo Securities, Great Western Royal Hotel, Praed Street, Paddington, W., 330 Mounteigh Group, Savoy Hotel, Strend, W.C., 1939 Keayac Hatel, I Hatel, I 12.30 Ideal Peridins, Londs Banqueting & Conter-ence Cantre, St. Johns Wood Road,

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October 5-6 Institute of Administrative Management: Evaluating offices for the 1990s (0689 73338) The Brewery, London EC1 October 11

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Confederation of British Indus-try/The Royal Institute of ers in the 1990's (01-925 2323) International Affairs: The Hotel Inter-Continental

Mil Corridor Review, but we say Strategy for development in Cambridgeshire (0954 31984) Churchill College, Cambridge October 3 CBI Conferences: Opportuni-ties in China: who will benefit in the1990s? (01-379 7400) Centre Point London WC1

October 20-21

Regents Park, London October 31- November 1 Financial Times Conferences:

London W1

Arthur Andersen & Co: Corpo-

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Brussels No 227.957 Since the necessari Meeting of August 30, 1968, Measur, Shareholders are convened to attine de second Extraordinary General Meeting, which will be hold in Brussels, at 52, rue de l'inclustric, on September 28, 1968 et 11.15 p.m. Windower the number of shares represented at this second meeting, recolutions wit be waitdy altone on the original agends, membly for the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,066,789,000 by incorporation of reserves, to bring the capital of BF34,067,89,000 by incorporation of reserves, to bring the capital of BF34,067,89,000 by incorporation of reserves, to bring the capital of BF34,067,89,000 by incorporation of reserves, to bring the capital of BF34,067,796,000 by incorporation of reserves, to bring the capital of BF34,067,89,000 by incorporation of reserves, to bring the capital of BF34,067,96,000 by incorporation of reserves, to bring the capital of BF34,067,96,000 by incorporation of reserves (b) and benefitig reterned for the 125,060 AFV shares issued by the earth boles, at the rate of one new shares, coupon N° 3 and following anched, for every ten shares field, against remiliance of ten coup	Following the DIVIDEND DECLARATION by the Company on 14 July 1988 NOTICE is now given that the following DISTRIBUTION will become payable on or after 19 September 1988. Gross Distribution per Unit 3.00 cents Less 15% U.S.A. Withholding Tax 0.45 cents 2.55 cents Converted at SI.7125 £0.014890458 Claims should be lodged with the DEPOSITARY; National Westminister Bank PLC, Stock Office Services, 20 Old Broad Street, London EC2, on special forms obtainable from that office. United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.	 companies from the member combrises of the African Development Bank and state participants of the African Development Bank to submit bids for the execution of Contract WUC/FT 17 Transfer Pipeline to Gaborone Dam which comprises: Construction of 34 kilometres of 600 mm diameter ductile iron transfer main (Class K9) from Bokaa Dam to Gaborone Supply and installation of associated fittings, valves etc Construction of reinforced concrete valve and swabbing chambers, and a discharge structure at Gaborone Dam Pipe-jacking of the main under an existing railway line Only companies from the member countries of the African Development Bank will be eligible to bid, and bidders must show evidence of sunisfactory appropriate experience and financial position. It is unlikely that a bid from any company with kess than six years experience of similar pipelines construction and a current financial turnover of kess than US Dollars 6 million will be accepted. The bidding documents are available from the offices of Sir M MacDonald and Partners at either: Demeter House or PO Box 2466 Station Road Experience Botswana (El 2RS Lobatse Road UK Industrial Estate (stiention Contracts Department) 	Petition of North Bas Assets pic, a company incorporated under the Con- panies Acts, having its registered office at 18 Charlotts Square, Edin burgh, for confirmation of reduction of capital and reduction of stare pre- presented to the Court of Session, Edinburgh at the instance of North Sea Assets pic, in which Petition an Order is sought that the provisions of Section 186(2) of the Companies Act 1985 shall not upply as regards the craditors of the company of the Minus at their is distance or organics at the craditors of the company of the Minus at their in the petition; to clinaci the registration of the said Order and Minus by the said Order and Minus by the said Order and Minus by the said Order and Minus being regis- tered by the Registrat is the province on 30 August 1986 by Lord Wair in the follows ing terms: The Vacation Judge appoints the Pet- tion to be intensed on the Waita of Court and in the Minus Book in com- mon form, and to be advertised tonon in each of The Edinburgh Gazette, The Financial Times and Ecots in com- mon form, and to be advertised tonon in each of The Edinburgh Gazette, The Financial Times and Boc tarining an intensest to totiog Assetter, The Financial Times and Boc tarining an intenses to totoge Assetter, The Financial Times and Scotters, The Financial Times and Boc tarining an intensest to totoge Assetter, The Financial Times and Boc tarining an intenses to bottoge Assetter, The Financial Times and Boc tarining an intenses to bottoge Assetter, The Financial Times and Boc tarining an intenses to bottoge Assetter, The Financial Times and Boc tarining an intenses to bottoge Assetter, The Financial Times and Boc tarining an intenses to bottoge Assetter, The
Given the belance outstanding on the number of existing shares divided by ten, one shareholder agrees to renounce his rights to allocation for soven shares in his possession.		at a cost of US Dollars 300 for each set on or after 17 October 1988.	Printerical Innee and Secontrain Invest- papers allows all partice chaining an interest to todge Asswers, if so avvised, within herefty-one days siter such intimation end solvertisement." "Signed Alen Molfat DCS"
 Amendment of Anticle 5 of the Anticles of Association, to reflect the new capital situation and its representation. Powers to be conterned to the Board of Directors to Implement resolutions passed and determine terms and conditions thereof, in particular relating to the price for exercising of warrants. Holders of bearer shares are requested. I this is suitable for them, to deposit their shares no inter them Thursday, September 22, 1968 at the following institutions: 	SOCIETE GENERALE \$US 300.000.000 FLOATING RATE NOTES DUE 1996 For the six months, Sectember 16, 1968 to March 15, 1969, the	Bids shall be submitted to be address below before 1400 hours on 6 January 1989. Bids without a Bid Bond of Pula 300 000 will oot be accepted, and the Corporation is not bound to accept the lowest or any bid. The date, time and place of bid opening will be notified in due course. All bidding procedures, evaluation and award will be conducted according to ADB rules and procedures.	"Signed Alen Moffat DCS" Of all which indimation is hereby given. Shephand & Wedderburn, W.S. 17 Charlotte Square, Edinburgh Agents for Petitioners. Sele commences than Thursday Zong Sale commences that Thursday Zong Sale commences and the set two Sale commences and the set two
United Kingdom: Bangue Beige Ltd., Bishopegate 4, London EC2N 4AD.	rate of interest has been fixed at 8,5625% PA.	Water Utilities Corporation P O Box 127	WEST GERMANY
al branch offices of Générale de Banque al branch offices of Générale de Banque al branch offices of Banque Bruxelles Lambert	The interest due on March 16, 1969 against coupon or 5 will be, for the denomination \$U\$ 10,000, \$U\$ 430,50 and for the	Sedibeng House 17530 Luthali Road Industrial Site	
all branch offices of Kredietbenk	denomination \$US 100.000, \$US 4305.03 and has been computed on the actual number of days elapsed (181) divided by 360.	Gaborone Botswanz	The Financial Times proposes to publish this survey on:
France: Crédit du Nord, 6-8 Boulevard Hausemann, 75009 Paris Banque Nationale de Paris, 16 Boulevard des Italians, 75009 Paris. The Grand Duchy of Luxembourg, 14 rue Aldringen and 27 avenue Monterae, Luxembourg, 14 rue Aldringen and	The Principal Paying Agent, SOCIETE GENERALE ALSACIENNE DE BANQUE	INVITATION FOR BIDS	Monday, 31st October 1988
Banqua Internationale & Luxembourg, 2 Boulevard Royel, Luxembourg.	15, avenue Emile-Reuter LUXENBOURG	RTA 3/88	For a full editorial synopsis and advertisement details, please contact:
Amsterdam-Roterdam Bank, Foppingsdreef 22, 1102 BS - Amsterdam Algemene Bank Nederland, Amsterdam and Roterdam Branches. Germany: Commerzbank, Neue Mainzer Strasse 32-36, 6000 Frankfurt Deutsche Bank, Grosse Gallus Strasse 10-14, 6000 Frankfurt Dresdner Bank, Jürgen-Ponto Pietz 1, 6000 Frankfurt Dresdner Bank, Jürgen-Ponto Pietz 1, 6000 Frankfurt. Italy: Credito Italiano, Piazza Cordusio, Milano. Switzerland:	CLASSIFIED ADVERTISEMENT RATES	The peoples Democratic Republic of Ethiopia, Ethiopian Road Transport Authority (RTA) has received a credit from the International Development Association (IDA) and it is intended that part of the proceeds of this credit will be applied to eligible payment under the contract for the supply of Training Trucks.	Birgit Schilbe on Frankfurt (069) 75980 Financial Times (Germany Advertising) Ltd. Gniollettstrasse 54
Crédit Suisse, Paradeplaiz 6, 8001 Zurich Swiss Bank Corporation, Aeschenvorstadt 1, 4002 Basie Union Bank of Switzerland, Bahnholistrassa 45, 8001 Zurich.	Per line col cm (min. 3	The RTA now invites sealed bids from eligible bidders for the	D-6000 Frankfurt am Main 1
- The Report of Electors	lines)(min. 3)	supply of Training Trucks. Interested bidders from member countries of the world bank	Telex: 416193 Fax: Frankfurt (069) 722677
	2 (cms)	(IDA) Switzerland, Taiwan and China may obtain further	
	Appointments 14.00 47.00 Commercial and Industrial Property 12.00 41.00	information from the RTA procurement office Room N ⁰ 404. The bidding document may be purchased by any interested	or
	Residential Property10.0034.00Business Opportunities14.0048.00Businesses For Sale/Wanted13.0044.00Personal10.0034.00	eligible bidder upon payment of a non refundable fee of Birr 50. The closing date for the submission of tenders shall be 15:00 bours local time on October 4, 1988.	Darren Dodd on London (01) 248 8000 ext 3472
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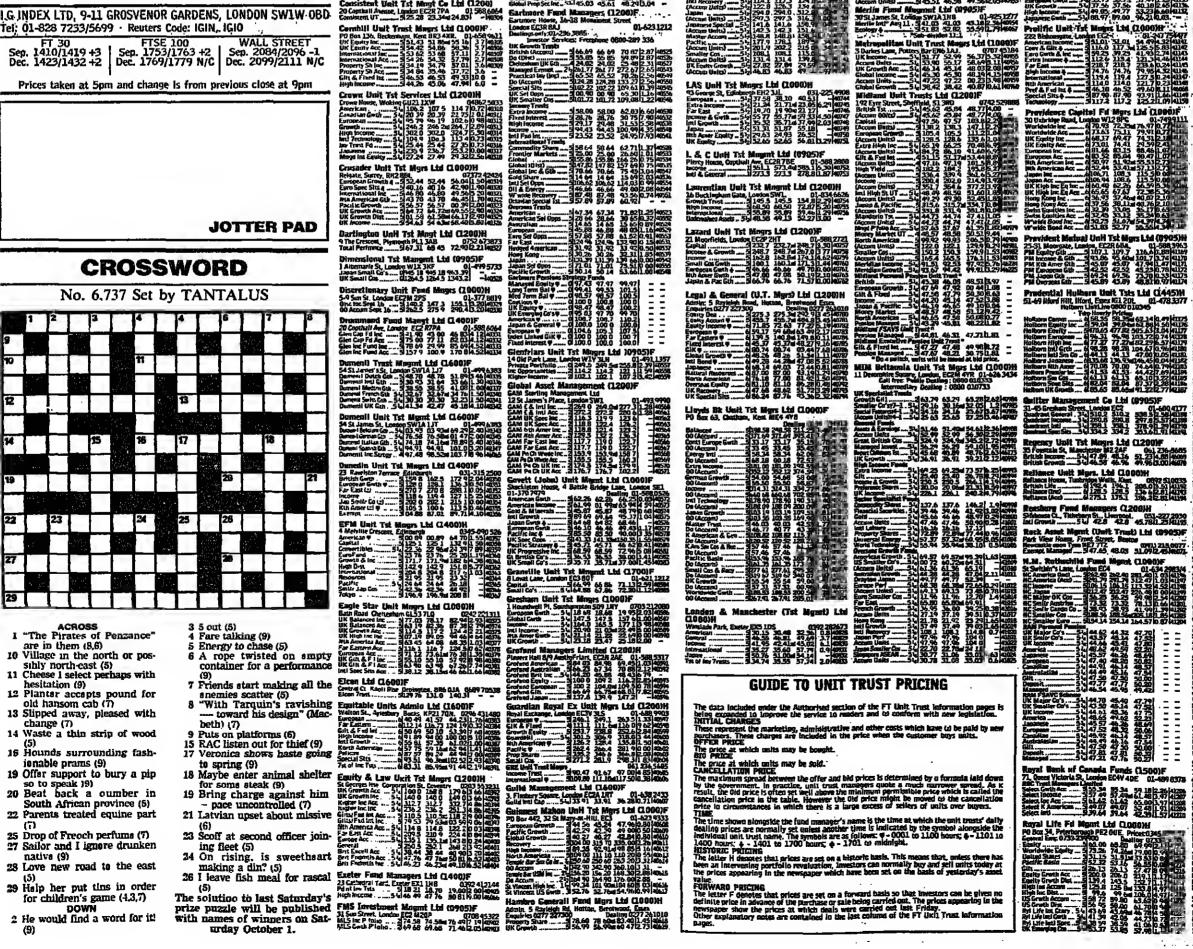
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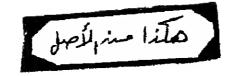
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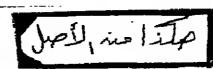
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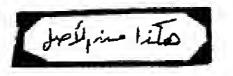
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FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

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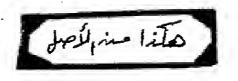
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FINANCIAL TIMES MONDAY SEPTEMBER 19 1988 ----

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES The dangers of a temporary blip becoming a trend by Jonas Crosland

STERLING'S POSITION at the moment can be equated with the eye of a storm. Last week's batch of economic data was weathered with surprisingly little damage; the next two weeks are likely to provide the other half of a potentially rough passage

other half of a potentially rough passage. The rise in July's average earnings to 9 p.c. was worrying enough, without the com-pounding effect of an upward revision to 8% p.c. in June. The strength of manufacturing productivity has so far pre-vented a feed through into unit labour costs (the latter rose a labour costs (the latter rose a modest 0.2 p.c. in July). But there is no escaping the proba-bility that higher earnings will

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STERLING'S POSITION at the work some way towards com-August deadline on multiple mortgage relief. The narrowly defined M0 is expected to remain well above promising the impact of higher mortgage costs on the con-sumer.

effects of the rush to beat the

In addition, the increase to 9 p.c. coincides with the Autumn round of annual pay negotia-tions, with all the dangers of

expected to remain well above the official 1-5 p.c. target range, while the broader based aggre-gates threaten to reach record levels, reflecting vary large car sales in August. Most analysts now see that the question is no longer whether there will be an eco-nomic slowdown, but when? nomic slowdown, but when? The only factor in doubt is The only factor in doubt is whether the landing for the UK economy will be hard or soft. Clearly the soft landing (soft in relative terms, that is) is pref-erable, and many forecasters expect the UK authorities to confirm this by increasing rates one and half points below the current rate. They are also likely to include the residual

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hank base rates once more, probably to 13 p.c. The alternative, a collapse of real incomes through high inflation, is a scenario best avoided, and the moment, reflected in a downward slope in the yield curve, suggests that it can be avoided.

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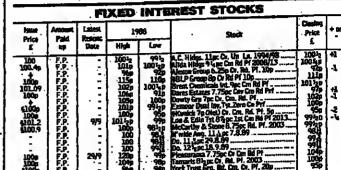
that it can be avoided. However, the outlock for inflation has prompted many forecasters to upgrade their end-of-year projections to around the 7 p.c. level. Looking ahead still further, mortgage rates fell in February and March of this year, and so a declina in 1989 may be neces-sary to offset the dangers of a temporary blip becoming a temporary blip becoming a

bank intervention is seen as a

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trend. The surprisingly mature response to last week's data can be explained away to some extent by the substantial inter-est rate differential running in stering's favour, and also by the lack of a strong dollar trend. But it is entirely ques-tionable whether this level of maturity will prevail. Figures for July's US trade-deficit, released last week showed a mnch better than expected declina. The fall to a single figure deficit on the old freight insurance defini-tion, was seen as good news for the economy, but the dollar's the threat of central

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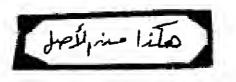
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E Spot	Pulse E	Sprine Calk Price Sep 1400 7.65 7.65 7.05 0.04 1400 7.65 7.65 0.04 - 1400 7.65 7.65 0.04 - 1400 7.65 7.65 0.04 - 1400 7.65 7.65 0.04 - 1400 2.45 3.35 1.41 4.54 c.01 1470 0.45 1.07 1.65 3.34 - 1720 0.49 1.44 2.24 2.09 1720 0.37 0.45 1.55 4.46 1750 0.10 0.30 1.00 4.96	Pris Aut. Strike Strike Strike Strike Strike Strike Strike Strike Strike Strike	Nor Dec Sep Det. Nov Dec 4.35 5.20 0.50 1.45 2.30 3.40 2.15 2.25 2.26 3.40 3.40 5.65 6.25 1.00 1.55 7.30 7.45 8.45 9.45 0.40 0.40 17.30 17.45 18.10 18.45 0.45 0.40 17.30 17.45 18.10 18.45 0.45 0.40 17.30 17.45 18.10 18.45 0.45 0.40 17.30 17.45 18.10 18.45 0.45 0.40 17.30 17.45 18.10 18.45						
12 months 5 23-5 18pm 5.30-5 25pm Forward premiums and discounts apply to the U5 dollar	Belgian Franc 42,4562 43,6812 +2.41 +1.06 ±1.5344 Qualch Krone 7,85212 7,95788 +1.35 0.00 ±1.5404 Gervin D-Mark 2.05853 2.07273 +0.64 -1.0981 ±1.0981 French Franc 6.90403 7.04984 +2.11 +0.76 ±1.3674 Duch Guilder 2.31943 2.37834 +0.82 -0.53 ±1.5012 Irigh Park 0.708491 0.771453 +0.40 -0.95 ±1.6684	1700 1725 0.37 0.96 1.55 4.46	140 457 179 1860 036 035 133 137 722 1960 036 035	0.45 0.60 17.30 17.65 18.10 18.65 0.50 11.70 22.50	RIGHTS OFFERS					
STERLING INDEX	Belgim Franc 42,4662 43,6812 +2,41 +1.0b ±1,5344 Qualch Kone 7,85212 7,95786 +1.35 0.00 ±1,6404 Germin D-Mark 6,90403 2,04723 +0,669 -0.664 ±1,0981 Franck Franc 6,90403 7,04964 +2,11 +0,76 ±1,3974 Duch Guilder 2,31943 2,33234 +0,822 -0,53 ±1,5012 Irich Guilder 2,31943 2,33234 +0,822 -0,53 ±1,5012 Irich Franc 1,768411 0,771453 +0,40 -0,95 ±1,6694 Iridi Funt 1,483,58 1545,26 +4,16 +3,33 ±4,6752	Strike Casis Nov Dec Sep Price Sep 6ci Nov Dec Sep 1.600 7.65 7.65 7.75 0.04 - 1.625 5.115 5.16 6.12 - - 1.625 2.65 3.30 3.91 4.54 60.11 1.675 0.25 1.67 2.85 3.34 - 1.700 0.40 1.44 2.24 2.00 1.725 0.37 0.46 1.55 4.44 1.750 0.10 0.30 1.26 4.44 1.750 0.10 0.30 1.26 4.54 Previous day's coss instruct Calls 664.625 Pres 162.54 4.207	7.57 8.40 9.33 1.950 0.40 Extinuated volume total, C Previous stay's open latt	0.45 11.40 17.60 CuRs N/A Pars N/A CaRs 367 Pars 210	bute Arround Latest 1988 Slock					
Sept. 16 Previous 8.30 am	Changes are for Eos, therefore positive change denotes a weak corrent? Adjustment calculated by Financial Times.	LIFFE LONG GET FUTURES OFTIMES	LIFFE US TREASURY DOND FUTURES OFTIME	LIFFE FT-SE BINEX FUTORES OFTIORS	220 Ril 14/30 for 30m Arty Hidgs					
9.00 am	POUND SPOT- FORWARD AGAINST THE POUND	Sutha Calls-actionwebs Pats-actionwebs Price Dec Mar Dec Mar. 88 544 642 9 4 11 90 349 642 9 24	Surlive Calis-antilements Puts-antilements Price Dec Mar Dec Mar B2 423 416 29 113	Strike Calls-suttlements Pric-suttlements Price Sop Oct Sop Bott 14000 1980	116 RU 14/30 6pm 3pm Arrey Hdgs. 105 RU 22/9 51/9m 1/9m Relativital Trant 5p 105 RU 26/9 19/9m 13/9m Relativital Trant 5p 40 NU 26/9 19/9m Relativital Trant 5p 10 NU 26/10 6pm 2/2mm 10 NU 29/10 6pm 2/2mm 1/0m 10 NU 29/10 4pm 7/2mm 1/0m 1/0m 10 NU 29/10 4pm 7/2mm 1/0m 1/0m 100 NU 28/10 4pm 1/0m 1/0m 1/0m 100 NU 29/0m 1/0m 1/0m 1/0m 1/0m 100 NU 20/0m 22/0m Apm 1/0m 1/0p 100 NU 20/0m 22/0m Mu 1/0m 1/0p 200 NU 22/0m 3/0m 1/0m					
11.00 am		92 203 261 27 53	Free Date War Date War B2 437 414 15 44 B4 437 444 72 113 B5 300 331 -74 139 B6 300 331 -74 139 B6 300 331 -34 139 B7 128 137 245 137 B9 37 141 260 552 92 231 134 420 552 92 24 134 420 552	Price Sep Oct See Dct 145000 1580	10 Mil 5/10 14pm 6pm bF & H Group 10p 55 Mil 28/10 4pm 5pm Five Dats torestments 5p					
Moon 75-1 75-3 75-3 1.00 pm 75-3 75-3 2.00 pm 75-3 75-5 3.00 pm 75-3 75-5 3.00 pm 75-3 75-5 75.0 pm 75-3 75-4		92 203 261 27 53 94 51 14 14 96 17 99 214 14 98 17 99 21 98 5 28 429 420 100 2 12 426 404	207 447 - 74 199 207 447 - 74 199 207 107 27 197 207 107 107 27 46 207 107 104 27 46 207 104 27 46 207 104 27 46 207 104 27 46 207 106	17500 191 475 111 290 18000 25 230 445 485 18500 1 93 425 485 19900 0 31 1420 1286	55 Htil 28/10 4 mm 1 ppm Fire Gats toriestments \$p					
	US		- 94 12 42 604 706	16000 1 93 921 848 19060 0 31 1420 1296	15 100 - 4pm 2pa Letterstime four. 10p - 10 100 - 13pm 10pm 10pm -					
CURRENCY RATES	Belgium 4.37 85-65-05 65 65 96 66 90 22-19cpm 4.37 85-60 1 24-19cpm 3.92 123y-11, 1201 32-56 12-06 12-06 12-074 41-33-000 3.92 123y-11, 1201 3.95 1201 12.071 12.071 12.074 41-33-0000 3.92 123y-11, 1201 3.95 1201 12.071	Estimated volume total, Calls 1123 Puts 1043 Provides day's open int. Calls 17031 Puts 24658	Estimated volume total, Calls 20 Picts 10 - Previous day's ages int. Calls 6/07 Picts 3047 -	Estimated uchane total, Calls 0 Pats 2 Practors day's open lat, Calls 4 Pats 131	180 Nri 1999 17pm 72gm (7ACE 10p					
Sept.16 Bank Special* European Currency % Rights Unit	Betham 65.65 - 66.05 65.90 - 66.00 24.19cpm 4.37 64.46bpt 4.41 Demmark		1							
		LEFFE 5/5 OFTIGHS £25,000 isouts per 53	LIFFE SHOODLAR OFTENS	LIFFE SHORT STEMLING	a Annualised dividend b Figures based on prospectus estimates of Dividend rate paid or strytuble on p cover based on dividend on full capital a Assumed dividend and yield s Dividend and yield established Forecas, or estimated annualised dividend rate, cover haved on previous year's samings. I. Established dividend, cover and pit based on intest annual earnings. M Dividend and yield inset on Progresco or estimates for 1968. N Orbitand and yield based on prospectus or other official estimates for 1969. Of mammalised dividend, cover and pit states annual earnings. M Dividend and yield insets for 1969. Of mammalised dividend, cover and pit state based on prospectus or other official estimates for 1969. Of the state in concertion with reorganisation merger or talkenfort. A Official state grantes. W Pro Forma for Issued in concertion with reorganisation merger or talkenfort. Allocents, price & Unidstate Scarrities and Landon histing. C including warrants exhibitance." Third Market.					
Sterling	Jana Zisit Zisit <thzisit< th=""> Z</thzisit<>	Strike Calls-settlements Pots-settlements Price Sep Oct Sep Oct	Strike Calis-settlements Poss-settlements Price See Dec San Dec	Strike Calis-attlements Pats-settlements	Projects, the extension announced to reveal rate, comer much on previous years announced and years and previous and yield based on prospectus or other official extinates for 1989. O Gr					
Ausurian Sch. 4 17 0449 14 5805 Beigian Franc 7 50 8369 43 4812 Damist Krone 72 9 29357 7.95788	Sweden	155 1250 1260 0 1	100 45 48 0 12 ·	Strike Calis-actilements Pets-sectilements Arrise Sep Dec Sep Brod 67 88 0 22 Brod 67 88 0 22 Brod 62 78 0 29 Brod 22 55 5 39 Brod 5 42 13 5	annualised dividend cover and pie ratio based on promethis or other official estimates. W Pro Forma fi by tender-a Officed to holders of ordinary shares as a "rights" 3" introduction dividence process we					
Canadara 5 8.75 Canadara 5 8.75 4 15049 1 17049 1 1704	Belgium rate is convertible francs. Financial franc 66.70-66.80, Six-month forward dollar 2.99-2.94cpm 12 months 5.25-5.15cpm	155 1260 0 1 160 764 764 0 19 165 280 328 0 116 170 0 96 240 386 175 0 16 740 866 175 0 16 740 866 160 D 2 1240 1292	4025 40 32 0 27 9135 16 21 1 4 9175 16 12 1 57 9205 0 7 36 77 9205 0 3 67 96	8750 22 55 5 39 8775 5 42 13 51 1800 0 31 33 45	Landon Histing Including warrants enlitteness." Third Marist.					
Talian Lina 1213 1809.15 1545.26 Japanese Yen 215 N/A 148.281		170 0 96 240 386 175 0 16 740 806 180 D 2 1240 1252	9206 0 7 95 77 9225 0 3 60 96	1800 0 11 13 45 1825 0 22 58 81 1830 0 15 83 99						
Sterting - 0.764905 0.660100 U.S. Dolchar 6.85 1.29167 1.10543 Canadian S. 8.75 1.55049 1.29157 American S. 4 17.0449 14.3805 Belgian Frome 7 50.8564 4.8005 Daubh Krome 7 9.29357 7.95788 Destech Mart 51. 2.23352 2.27273 Neth.Guilson 4.2 2.23382 2.27273 Neth.Guilson 4.2 2.23382 2.27273 Neth.Guilson 4.2 2.23382 2.27273 Normay Krone 4.2 2.23382 2.23264 Trank Franc 9.2 3.23454 7.04984 Tabarbergeren 2.5 N/A 1.452.86 Japaneser Ven 2.5 N/A 1.462.81 Norway Krone 8 9.4421 7.04275 Sensitish Krona .2 2.20536 1.73475 Greek Drack .2016 1.96.324 1.07845	DOLLAR SPOT- FORWARD AGAINST THE DOLLAR	Estimated volume total, Crits 0 Puts 30 Previous day's open Int. Calls 753 Puts 2567	Estimated volume total, Calls 0 Pots 0 Provins day's open int. Calls 3292 Pots 5171	Estimated volume total, Calls 193 Puts 1851. Previous day's agen tot, Calls 25510 Puts 24071.						
Swedish Krona, 81, 8,35129 7 15706 Swest Franc., 21, 2,04336 1,74975 Greek Drack., 2019, 196,334 1,67846 Intsh Punt., 0,902824 0,771453	Sept. 16 Day's spread Close One month % Three sumths % UKr L4720 · 1.6805 1.6750 · 1.6760 0.4804 45mm 3.33 1.58-1.53mm 3.71	LONDON (LIFFE)			EUROPEAN OPTIONS EXCHANGE					
All SDR rates are for Sept.15		28-YEAR 9% NOTIONAL CELT 254,604 32ads of 100%	CHICAGO							
CURRENCY MOVEMENTS	treinnt Totys: 14305	Cleve Mital Law Priv	11.5. TREASURY MORES (CAT) and \$100,000 X2mis of 100%	JAPANESE YEN CHINO Y22.5m \$ per Y190						
	Demark		Close High Low Pres. Sep 183-27 68-30 88-16 58-36		Non. 88 Feb. 89 May 89 Series Vol Last Vol Last Vol Last					
Sept. 16 Bank of Morgan** England Gaaranty kodex Changes %	Haly	Estimated Volume 16722 072940 Previous day's open Int., 29398 (29084)		Cost High Low Pres. Sep 0.7452 0.7461 0.7473 Dec 0.7513 0.7523 0.7508 0.7534 Mar 0.7576 0.7584 0.7557 0.7547 Jan 0.76479 0.7560 0.75670	COLDC S420 240 D0.50 400 22.50 110 30. COLDC S440 198 4 171 12 55 20 COLDC S440 198 150 110 12 55 20 COLDC S460 85 1.50 116 6 10 11.50					
	W. Servary 1865-18769 1875-18769 02-14 Septem 111 12-2-2-30 Portugal	7-10 YEAR 9% MOTERIAL CILT	Case Kinds Low Pres. Sep 38-27 88-30 88-16 88-26 Det: 38-08 88-12 87-27 88-00 Jan 87-21 87-27 88-00 88-12 Jan 87-26 87-27 88-00 86-07 Jan 87-26 87-27 88-00 86-07 Jan 87-26 87-20 86-07 86-08 Dec 86-02 86-04 85-22 88-02 Jan 85-05 - 85-05 - 85-07 Jan 85-05 - 85-05 - 86-07 Jan 85-05 - 85-05 - 86-07 Jan 85-05 - 86-07 - 86-07 Jan 85-05 - 86-07 - 86-07 Jan 85-25 - 86-07 - 86-07 Jan 85-26 1-32 86-07 -		GOLDC 5460 20 0.70 100 3.50					
Sterling 75.4 1.6.8 U.S.Dollar 99.6 4.7 Canadian Dollar 84.5 -2.9 Amstrian Schilling 133.9 49.9 Beiglan Frans 97.7 -6.0	Japan J. J. S.	Close Shak Low Prev.		DESTICAE MARK CIRIO PALIZZARE S per 106						
Banish Kenne 1 88.8	t UK and Instant are quoted in US currency, Forward premiums and discounts apply to the US dollar and oot to the individual currency, Belgian rate is for convertible france, Fixancial franc 39,80-39,90.	Dec 92-22 92-22 92-15 92-21	Sep 84-73 - 84-73 Dec 84-09 - 84-10 Mar 83-85 83-29 83-28 83-29	Sep 0.5342 0.5345 0.5325 0.5330 Dec 0.5366 0.5390 0.5570 0.5374 Mar 0.5426 0.5330 0.5411 0.5414	Sep. 88 Dec. 88 Mch. 89 SRLVER C 5 950 - - - 75 - SRLVER P 5 650 10 6 - - 202 35					
Swiss Franc	understenden freuzische socialise somei ei für erstendense sommertif i mentionen solleren auf som	Estimated Volume 650 (78) Previous day's open int. 1923 (1977)		Mar 0.5425 0.5433 0.5411 0.5414	Sep. 88 Oct. 88 Nov. 88					
French Franc	EURO-CURRENCY INTEREST RATES	4% NOTEMAL LERE TEEN JAPANESE BUYT.	N.S. TREASURY BLLS COND Slun points of 200%		EDE Index C F1,225 53 9,70 Å 12 12.50 - f EGE Index C F1,230 194 4,70 105 9 13 11 - f EGE Index C F1,230 194 4,70 105 9 13 11 - f EGE Index C F1,230 194 4,70 105 9 13 11 - f					
Morgan Guavanty changes: average 1980- 1982 - 100. Bank of England Index (Base Average 1975 - 1007-Rates are forSept.15).	Sept.16 Shurt 7 Days One Taree Six One term exclor Month Wonth Wonths Wonths Year	Class High Law Prod.	Ope Hat Law Prop. Sp 92,77 92,76 92,76 92,76 92,76 Dat 92,77 92,76	THREE-MONTH ESTROOLLAR (BIND Stre points of 189%	EDE Index C F1,225 53 9,70 A 12 12.50					
1975-1001-Rates are for Sept.15 .	Stories	the second se	Corr High Law Prov. Sep 92,77 92,80 92,76 92,76 92,76 Dec 92,77 92,78 92,76 92,76 92,76 92,76 Har 72,78 92,76 92,76 92,76 92,86 92,85 Sep 92,63 92,46 92,46 92,47 92,46	Case (Hot) Los (Prr. Sep 91.65 91.66 91.63 91.66 Dec 91.65 91.62 91.28 91.33 Har 91.40 91.41 91.985 91.8 Har 91.40 91.41 91.985 91.8	EDE Index C F1 245 91 220 550 F EDE Index C F1 259 120 1.30 10 5.50 F EDE Index P F1 220 - 1205 1.50 F EDE Index P F1 220 1205 5.50 F EDE Index P F1 220 F					
OTHER CURRENCIES	US Dolar	Estimated Volume 350 (314 Presions day's spen bit, 461 (520);	Sep V.G V.G <thv.g< th=""> <thv.g< th=""> <thv.g< th=""></thv.g<></thv.g<></thv.g<>	Sep 91.45 91.46 (14) 91.46 Dec 91.42 91.42 91.28 91.33 14 91.40 91.40 91.41 91.38 14 91.40 91.40 91.41 91.38 14 91.45 91.41 91.38 14 91.95 91.41 91.38 14 91.55 91.41 91.38 14 91.45 91.45 91.45 14 91.45 91.45 91.45 14 91.45 91.45 91.45 14 91.45 91.45 91.45 14 91.45 91.45 14 91.45 91.45 14 91.45 91.45 14 91.45 91.45 14 91.45 91.45 14 91.45 14 91.45 91.45 14 91.45 14 91.45 14 91.45 14 91.45 14 91.45 14 91.45 14 91.45 14 91.55 14 91.55 1	E0E lodez P					
5ept.16. E 5	Desistmant	THEFE MONTH STERLING		54 YU (6 YU /6 YU /6 YU //	EVE Index P F12200 Index P F12200					
Argentika	Pr. Franc. 75-77a 76-77a 75-77a 84-84 84-94 184-94-		SWESS FRANC DINO	Jun 90.69 90.70 90.67 90.71 STANDARD & NORS 500 MINEX	S(FIL F1.202) 22 (2.30) F S(FIL F1.190 11.4 22.80) F S(FIL F1.190 11.4 22.80) 45 (4.50) F S(FIL F1.190 11.4 25.80) 45 (4.50) F					
Brazil	B. Fr. Find B. Fr. Find B. Fr. Find B. Fr. Find B. Fr. Find D. Krows,	Clove High Low Proc. Srgs 87.67 87.66 87.55 87.66 Dec 87.66 87.67 87.55 87.71 Mar 88.17 88.16 88.37 \$81.17 Jun 88.47 88.35 83.47 \$81.27	SFy 125,000 S per SFy	\$200 times inter	SVFIC FI 190 114 221.80 - - - F SVFIC F1 205 160 6.30 45 6.50 - - F SVFIC F1 205 160 6.30 45 6.50 - - F SVFIC F1 200 873 1.20 73 3.20 2 440 F SVFIC F1 200 873 1.20 73 3.20 2 440 F					
Hong Kong . 13 0635 - 13.0795 7 8085 - 7.8105	Asian SSing	Fig. Vol. Onc. flas. ant showed 23705 (1.8545)	Sep 0.6317 0.6327 0.6308 0.6119 Dec 0.6317 0.6407 0.6386 0.6376	Clase High Low Prev. Sep 271,65 273.00 269.45 267.80 Dec 274.05 275.30 272.00 270.15	SIF1C F1.215					

Halanda 4 400, 4 400 24400 24400	ng years 914-876 per cont; three years 914-916 per cent; four years 914-914 per cent; f II, Short term rates are call for US Dollars and Japanese You; others, two days' moti-	Ed. Vol. Onc. Pays. met showed 23705 0,86455 Previous day's opto int. 44/963 4463860 Pr-56 104 000621 S7 Ser Tall Index paint	Dat. 0.6397 0.6407 0.6396 Mar. 0.5467 0.6480 0.6460 Jun. 0.6549 0.6549 0.6541	0.63% Dec 0.6465 Nar 0.65% Jun	274.05 275.30 2 276.05 276.90 2	72.00 270.15 74.90 272.60 274.40	<u>Siri P</u>	Fī.2	25 565 32	50 -		<u> </u>	1 211 65	
Medra	EXCHANGE CROSS RATES	Cose High Low Prev. Sep 173.80 176.00 174.50 176.00	BASE	LENDING	RATES				. Oct. 89		9 1 40	r. 89		
Sincercover, 1 34185-34280 20425-20445 5.41(Fn) 41135-41245 2420-24420-24455 5.41(Fn) 4125-41245 2420-24420-2 5.44(Fn) 625455-64960 39215-40000 Talman	ON Yen F.F. S.Fr. H.Fl. Ltra C.S 8 Fr. b 3.145 225.0 10.49 2.653 3.548 2344 2.649 64.95 LB76 1342 6.376 1.983 2.117 1374 1.223 37.35		-Adam & Company 12 Opt	Merchants Bank 12 Instate Bank 12 Instate Bank 12	KatWestminster Northern Bank Ltd Rowich Gen, Trust		ABN C AEGON C AEGON P AHOLD C AKZO C AKZO P	9. 6. 61	45 232 0 86 137 22 80 43 0	20 261 1 30 30 1 50 20 1 50 57 57 50 57 51 60 571 64 70 143 4	.90 5 .20 6 .80 -		F1. 42.20 F1. 85.80 F1. 85.80 F1. 82.40	
"Selling rate: DNA 0.318 0.33 YEA 4,444 7.44		THREE MENTH ELIROBOLLAR Star points of 199%	Allied Irish Statk	rerative Busk 12 th & Co 12 ns Popetar Bk 12	PittVATberden Lie Provincial Bark Pl R. Rashael & Soro	uc 13	AMRO C	F1.	85 502 6.1 40 199 1.1	50. 59 3. 51 6 70 143 4	11 - 2 300 - 2 10 - 1	8 F 5.70 1.60	1. 143.10	
FORWARD RATES AGAINST STERLING	<u> </u>		Associates Cap Corp	ter Bask PLC	Rooterster & Sonta Royat Bk of Scotla Royal Trest Bank	e 1112 el 12	ELSEVIER	NI-TC FL C FL C FL	65 271 0.0 60 304 19 40 5 1	50 9 2 90 65 1 7 104 1	50 16 10 -	1.4	FI. 73.50 FI. 73.50 FI. 52.50 FI. 56.40 FI. 36.40 FI. 36.40	
Spot 1 3 6 12 H Fl, 0.282 0.47 US Dottar 1 87551 1 67991 50001 6.427 0.71 0.427 0.71 US Dottar 1 87551 1 25001 0.423 0.421 0.422 0.423 0.421 0.421 0.422 0.423 0.421 0.423		Est. Vol. (inc. Part. act. shows) 4902 (8176)	Banco de Bilhao 12 Exel Bant Happalim 12 Fas	ter Trust Ltd	South & Willow Standard Chartered TS8	Sets 12	HEINEKEN HEINEKEN HODGOVEN HODGOVEN KLM C KNP C KNP P	C FL1 P FL1 SC FL SP FL	15 114 15 114	40 5 3. 50 5 6. 50 40 6. 50 42 3. 50 42 3. 50 109 1.	60 5 70 70 30 14	4.70 F 8.20	1, 138.60 1, 138.60 F1, 61.30 F1, 61.30 F1, 54.80	
Series Fr 12 (525) 2 6341/2 595612 544412 4532	I 4769 3412 1621 4023 5380 3354 3.107 100. or 10: Una per 1,000. Belgian Fr. per 100.	US TREASURY BONDS 8% S144,990 Stads of 109%	Bank Crefit & Comm 12 Rube Bank of Cypres 12 Robe	ert Flemlag & Co 12 ert Fraser & Ptors 121 bank 12	UCT Mortgage Exp Boited Bk of Kowa United Miarabi Ba	H 12		利 利 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	40 50 0.3 70 42 4 50 7 3	- 72 12	20 50 90 1 70 52	5 2.20 15.50 5 F	1, 168,80	
MONEY MARKETS	······································	- Sep 26-23 28-20 28-18 29-07 Dec 86-04 85-06 87-29 86-21 Har 87-18 85-06 87-29 86-21	Bank of India	wess Mabon	Utaity Trust Bank P Westert Trust Westnar, Bank Cerr	k 12 	NEOLLOYD NAT.NEO. (PHILIPS C PHILIPS P	19 1.2 1 1 1 1,27	30 7 3.9 50 47 3 65 161 L1	10 107 3. 108 0	10 I 60 2 80 130	140	FI. 221 FI. 221 FI. 63.30 FI. 32.50 FI. 32.50	
Hard times for	the Bundesbanl	Friender Volume 6601 (11402) Previous day's open Int. 10096 (11142) CURRENCY FUTURES	Berchstark Bank PLC 12 0 HIII Berliver Bank AG 12 C.H	oure & Co 12	Wisterway Labian Yorkshire Bask	12 ¹ 2	ROYAL DUT ROYAL OUT UNILEVER UNILEVER VAN OMME	1CH CH FI.2 1CH P FI.2 C FI.1	20 1297 11 30 94 7. 20 279 11 10 192 15	- 4 0. 70 13 9. 20. 601. 9. 10 204 4. 70 104 4. - 10 0.	15 10 .3 4 -	12	F1. 232 F1. 232 L. 114.10 L. 114.10	
THE WEST German ratas have a Bundesbank has had its work increased, and	lready been tion to defend the franc b the D-Mark is increasing interest rates.	Y LIFFE-STEILING \$25,000 S per E	Srows Stipley 12 Levy Basiness Mitre Tst 12'y Livy	glung & Skangle 12 noted Jesept & Sons 12 ets Bank 12	 Members of Bi Banking & Security Association. "7 day 5 Saverise 7.16%. Top 	without Unsered	YAN OMME	EREN C FL.		E IN CONTRACTS	70 B 342	1.30	F1. 29.40	
cut out recently, trying to keep short-term interest rates down below 5 p.c. September is tradi- French and Bels	an lira, and the Mr Karl Otto Poehl, Presider	t Mar 1.6468 1.6482	Central Capital	loaneil Dooglas Bak 12 Irrai Bank Ltd	rate. § Desiand depis	• Mortgage base		A-/						4
tionally a month associated with substantial payments of tax, but this time, the draw on 12 per	Pierra Beregovoy, Frenc finance minister, was taken a	h Previous day's open int. 289 (289) IS POUND-S (PEREIS) EXCHANGE)		nt Bolg Corp 12 Bit. of Kinwait 12	11.375% - 11.75%			÷						
funds has been further trom August increased by the Bundesbank's support for the D-Mark. Selling	25 & 25 their commitment to retainin existing parities. Nevertheles the nagging doubt which ha	g 16755 16709 16600 16454 16235			FT-ACTU	ARIES \	WORL	D INDI	CES				· · · · · ·	
dollars and pulling D-Marks Strains with out of the system has merely been played do	the EMS have surfaced in recent week: wn in recent remains.	5. Sep 1.6770 1.6776 1.6776 1.6776 Dec 1.64776 1.6776 1.64776 1.6472 1.6479 1.6470 1.6472 1.6472 1.6479 1.64500 1.6442 1.6472	Jointly comp Ltd., i	iled by the F n conjunction	inancial Thr n with the In	nes, Goldr Istitute of	man, Sa f Actua	chs & C ries and	o., and W the Facul	vood Mac ity of Aci	kenzie tuaries	& Co.		
exacerbated the problem. weeks. It is true The temptation to allow weaker currenci- rstes to rise is quite strong within their div	es are trading	Y RATES	NATIONAL AND REGIONAL MARKETS	FR	DAY SEPTEMBET	2 16 1988		THURSDAY	SEPTEMBER	R 15 1988	DOL	LAR INDED		
however. The D-Mark has been and that central weak against the dollar, and tion will contin higher rates would help to cur. out sharp flucture	ue to smooth term tork (term) (terms).	Treasury Bills and Bonds · · · ·	Figures in parentheses show number of stocks per grouping	US Da Dollar Cha Index 9	y's Pound oge: Sterling Index	Local . Currency Index	Gross Oiv. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)	_
tail the uncomfortably high tion, the Frenc level of capital outflows. But have shown the	ir determina. Broker isan rate	7.25 For rear 8.40 7.39 For rear 8.46 7.75 Sore rear 8.81 7.75 Sore rear 8.81 7.75 Jú-rear 8.75 0.43 Jú-rear 9.01	Australia (85) Austria (16) Belgium (63)	142.15 66.84 +4 116.61 +4	0.6 <u>125.78</u> 0.1 76.85 0.8 103.19	118.56 84.70 114.60	3.97 2.47 4.40	143.07 86.72 115.74	126.26 76.53 102.14	119.23 84.43 113.60 1122.03 108.08 94.22 75.79 100.92 126.35 73.63 73.63	152.31 98.18 139.89	83.72	180.26 100.26 127.98	
ILONDON INTERBANK FIX	Sept. 1.6 Gremişti: Gae	Two Three Sha Lauthard Manths Months Mastas intervention	Canada (126) Denmark (39) Finland (26) France (128)	118.11 + 124.69 + 116.21 + 94.37 +	0.2 104.S1 0.2 110.33 0.2 102.83	104.64 122.14 108.29 94.41	325 2.44 1.59	117.91 124.49 115.99 94.26	104.06 109.86 102.36	104.47 122.03 108.08	139.53 1	107.06 111.42 106.78	135.04 118.24	
bid Bia offer Bia bid Bia The fining rates are the arithmetic means rounded to the nearest one-stricestin, of the bid a constret by the rarker to the effectue Lanks at 1100 a m. each working day The banks Baok, Baok of Tohro Devictor Banks. Banger Rational de Paris and Morgan Guaranty	offer 83 Parts 74, 73, 74, 73, 74, 73, 74, 73, 74, 75, 73, 74, 75, 75, 75, 75, 75, 75, 75, 75, 75, 75	7 480-4.93 485-5.00 515-3.30 1.00 74.73 712-5, 82-83 6.75 34-35 550-5.60 4.21273	West Germany (100) Hong Kong (46) Ireland (18)	77.86 + 99.99 - 127.55 -	0.6 125.78 0.1 76.85 0.8 103.19 0.2 104.\$1 0.2 102.83 0.1 83.50 0.1 88.48 0.7 88.48 0.7 112.87 1.0 61.84 0.2 141.82	75.94	2.47 4.40 3.25 2.44 1.59 3.43 2.44 4.86 3.79	77.77 100.65 128.46	102.36 83.18 68.63 88.82 113.36 62.28 141.73	75.79 100.92	111.86	67.78 1 84.90	115.76 101.89 145.81 143.50	
Bank, Bank of Tolvo Decision Bank, Bangue Rational de Paris and Morgan Caseanty BANK OF ENGLAND TREASURY BILL	rrust. Brussets	113-113 74-719 74-719 74-719 74-8 81-859	Italy (100) Japan (456) Malaysia (36) Mexico (13)	138.50 -	0.7 112.87 1.0 61.84 0.2 141.82 0.4 122.55 0.4 135.54	125.55 73.02 136.01 141.94 382.35		70.57 160.60 138.99 152.53	62.28 141.73 122.65 134.61	142.33	81.74 177.27 1 154.17 1	62.99	88.75 42.53 171.01	Ş.
Sept. 16 Sept. 9 Billis on other £100cm £100cm Top accepted rate of discount Total of applications £433m £661m Merrage rate of discount Total of applications £100m £00m Average rate of discount	11.67207-11.63197	One Three Six One Month Months Henths Year	Netherland (38) New Zealand (20) Norway (25)	102.79 -	0.9 90.96 1.0 63.20	99.34 62.25 104.78		103.73 72.16 109.73	91.54 63.68 96.84	380.74 J 100.04 J 62.43	180.07	90.07 3 95.23 1 64.42 1	575.03 124,19 138,87	
Minimum accepted bid			Singapore (26)	121.89 -4 101.18 -4 136.85 +4 115.00 -4	0.5 107.86 2.9 89.53 0.2 121.10	114.78 87.59 129.75	2.39	122_51 104.15 136.63	108.11 91.92	87.57	139.07 1	101.18]	184,40 164,13 182,45 165,14	
LONDON Sept. 16 change NEW YORK	Sec.16 change Local Authority Deps 11 10%		Switzerland (55)	115.00 - 75.09 - 123.21 - 110.55 +	36.75 107.86 2.9 89.53 0.2 121.10 0.5 101.76 0.4 66.45 0.4 109.02 0.9 97.82	110.36 73.72 109.02	2.59 2.32 4.74 3.61	115.53 75.41 123.69	120.58 101.95 66.55 109.16	110.74 1 73.87 109.16	25.50 86.75	96.92 1 74.13 1	29.27 08.78 58.01	
Base rates	10 Unch'd Company Deposition 81y Unch'd Finance House Deposition 7.40 40 13 Bank Bills (Buy)		USA (580) Europe (1008) Pacific Basin (669)	101.75 -0	0.3 90.03 0.2 139.06	110.55 95.44 133.87	3.86 0.75	109.60 102.01 157.52	96.72 90.02 139.01	95.52 1	L12.47	99.19 · 1 97.01 / 1	28.68 26.88 44.08	
Tyressury 501 Forder 11,63-25 40 0839 6 Mth. Tyresbury 8015 Band 1 5014 11 m Unchrid 3 Mith. Tyresbury 8015 3 Mith. Tyresbury 8015 Band 2 6015 11 m Unchrid Junchrid 3 Mith. Tyresbury 8015 Band 3 6015 11 m Unchrid Unchrid FRANKFURT Band 4 6016 11 m Unchrid Gone mith. Interbank 3 Muth. Tynsburg 8011 11 m Unchrid Gone mith. Interbank	5DR Linked Dep Offer	124 815-810 825-820 855-850 8.70-8.65 74 74 74 74 74 74 74 74 74 74	Euro-Pacific (1677) North America (706) Europe Ex. UK (686)	110.94 +0		118.55 110.21 87.14	3.14	135.32 110.03 88.42	119.42 97.10 78.03	118.39 1 109.30 1	47.53 1	20,36 1	38.05 29.02 10.78	
3 Mun Trassury Bitl 113 Unchr d Goe mith. Interbank 1 Mch. Bank Bills 114 +13 Parts Anno 114 +13 Parts Anno 114 +13 Parts Anno 114 +13 Parts Anno 114 Parts	500 Handrid SDR Licked Dep Bid - 4,825 +0.025 ECU Linked Dep Offer - 4,925 Hundrid ECU Linked Opp Stig - 6 75 Handrid Treasury Bills GelD: one-month 11.8 per month 11.8 per month 11.8 per month -	74 74 74 74 74 74 74 74 74 74 74 74 74 7	Pacific Ex. Japan (213) World Ex. US (1876) World Ex. UK (2134) World Ex. So. Af. (2396)	125.09 +	0.7 105.85 0.2 118.65 0.2 110.69 0.1 110.66	107.04 117.88 115.98 115.50	215	120.41 134.43 124.88 124.89	106.26 118.63 110.21	107.66 1 117.73 1 115.49 1	146.49 1 131.77 1	87.51 1 20.26 1 11.77 1	63.32 38.58 32.43	
One menth Bills	6 75 Undid one-month 11 per cert. Unce month 11 s per cert. 711 Used'd discourt 11.6.348 p.c. ECCD Fixed Rate Sue 8 -1s Agreed rates for period Secuentber 21, 988 t 1 & 11: 12.72 p.c. Reference rate for period	cent; three months 11,6 per cent; Bank Bills (seld: 3 per cent; Treasury Bills; Average tender rate of ling Export Fraince. Make to day Ang 31, 1988; Octuber 25, 1988; Scheme I: 12.27 p.c., Schemes July 30,1988 to Augort.31, 1988; Scheme IV&V: succ server days' notice, ethers server days' flued, tr. 1, 1989; Bank Deposit Rates for sums at seven Deposit (Series 61; Deposit SL00,000 and over held by 9 per cent: three-sit months 9 per cent: sit-effec	World Ex. Japan (2000) The World Index (2456)	107.97 +0	0.4 95.54 0.1 110.53	104.84 115.31	3.72	107.59	110.21 94.95 110.10		12.43 1	00.00 1	34,39 30,99 34,70	
One month 7.3 Usek'd One month Three month 7.4 1 Taree month AusSTE BOAM 5.51 40.06 Dime month	113 + 1 1364 s.c. Local Authority and Finance H 114 Uath'd Finance House Base Rate 11 from Septemb days notice 3 75 per cent. Certificates of Tax under one months 71 per cent. Oper information moments 71 Uath'd months 91 per cent. Information moments	ANCE Series days mount, during series days inter- register (Series 6); Deposit £100,000 and over held his 9 per cent; three-six months 9 per cent; six-sine 942 per cent; three-six months 9 per cent; six-sine 942 per cent; Under £100,000 7 per cent from 5 per cent;	Base values: Dec 31, 1986 - 100; f Copyright, The Financial Times, Gold CONSTITUENT CHANGES : deterious	Inland: Sec 31, 1987	7 - 115.037 (US 5 M lood Machenzie & Co.	dex), 90.791 (F	Pound Sterling	and 94.94 ((Local).					#
Taree month	712 Uadrid months 912 per cent; nine-twelve months 713 +16 July 5,1988. Deposits withdrawn for cash	S per cent.	Amendments to Indices for Sept 15 a	pplied to the followin	gSouth Africa, the Re	gional indices ar	nd The World	ladez.	to Fletcher Cha	illenge (Canada).				
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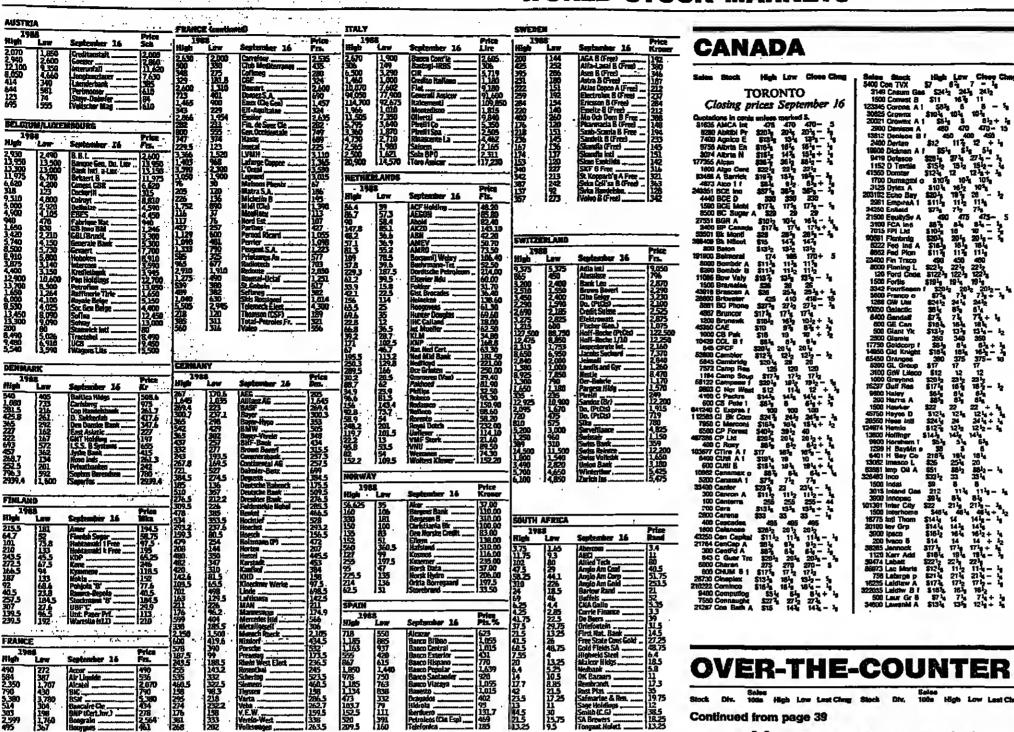
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WORLD STOCK MARKETS



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Nasdag national markal, 2pm prices September 16

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Ohr. Low Last Chag Last Choo Stock Div. High Low **Continued from page 39** ,56 10a RPM s RabbitS RabbitS Racys Racys Racys Racys Rogine Rogin Rogin Rogine Rogine Rogine

iligh _	Law	September 16	Frs.	2435	188.5	Right West Elect	2365	867	615	Saaco Hispano	- 770	20	1325	Malcor Hidds	185
190	272	Accor	490	2205 205 205 205 205 205 205 205 205 205	188.5	Rosenthal		1,850	615 1,440 750 763	Banco Popular	1,639	20 4 6.4 11.7 42 25 23 5	13.25 5.25 10.5 8.85	Nedbank	5.8
84 350 380 380	387	Air Linside	536	460 5	332 3225 983	Siemeos		978	763	Ganco Vintava	11055	1777	885	Renbrandt	-13
0	1,707	BIC	2.070 790 5.380 434	156	983	Thysser	158	473	838 332 79	Banesto	1015	42	215	Start Plat	19.75
380	3,780	85M	5,380	295	218	Varta	286.5	473	332	Bragados	402	235	1725	Safmarine & Ren	
14	304	Bacalre Cle	134	176	12322	Veba	150.5	103.7	1 in	iberduero	131.7	145	끐	Sage Holdings	125
599	1760	Boogralo	278 2,564 461	361	158	Verelo-West	159.5	520 209.5	391	Petroleos (Cia Esp)	469	1345	15,75	SA Brevers	1825
95	367	Booygets	461	268	1202	Volkswägen	263.5	209.5	1160	Telefonica		13.25	195	Tongast Holett	- 113.25
IAPA	N							_				AUSTR	ALIA (cer	athuma0	
198			Price	1.9			Price		65	Contant of M	Price	19		Australia M	Price
igh _	Low	September 16	Yest	High_	Low	September 16	Yes	High	Low	September 16	Yes	- Might	Low	September 16.	Aust\$
630 900 920 430 760 -	2,870	Alfaomota	2,980	2,480 978	2 120 617	Alitzal Bank		2,620	2,050	Victor	12,050	47	377734	Santos	3.60
000	1,480	All Nippon Air	1,700	812	. 422	Mitsal Mining	二%					19 487 92 137 6.1	373	Thos Natwide	4.65
- An	1.040	Alps Electric	1 200	1.540	922	Mitsul Petchent	1.340	1,290	1,020	Waroal	11,080	9.2	5.4	Tooth	9.02
760 -	1.350	Antano	1,540 793	2.530	1.430	Mitsol Real Estate	2530					133	21	Vangas Western Minlag	2.50
5 -	2,250	Ando Construct	793	918	600 790	Mitsel Teatse	- 1822		Lain	In .	1	161	1177	Westnar	6.04
5 540 220 350	2,250	Anciest	2250	1 940	1 20	Mitselashi .	1780	1,510	1,200	Yamaha Yamaichi Sec	1460	12 .	115	Woodside Petrol	1.61
50		Arabias Oil	5,700 **	1,380	1 420 681	Mitsumi Elect	1,050	4,530	3 660	Yamanoochi	4,190	2.02	1.05	Woolworths	- 3.50
60	5,020 877	Asale Chemicals	5,700 1,020	1.610	1,240	Mizeno Sporting	1,350	2,150	1 350	Yamatake H'ywell	1,900	2.02	11:00		11.02
160 130 220	1640	Asahi Glass	1,190	911	655	Moriaga Milk	810	1.660	1,230	Yamato Trans	1.560	HOME	CONG		
			5 7 15	3,250	655	Marata Mifg	2,710	1170	848	Yasada Fire	1.030	194	18		Print
510 . 580 9	1,200		1.530	11.14			£1	840	545	Yasukawa Elect.		High	Low	September 14	Price H.K.S
	1,200	Banyo Phenin	1.440	2.340	1,870	MEC	2,040	933 1.430	546	Yokohama Rubher Yoshitomi Pharm	1,290	19.1	113	Bank East Asla	16.30
i T	1,140	Brother lads summer	745	1.60	1 045	NEK Sperk Pton	11.390	94	465	Yoasa Battery		19	4.75	Cathy Pacific	8.40
		Catels Food	1 340	79	1045	NKK Corp.		1				825	62	Cheung Kong	15.50
40 70 .:	1,250	Chanter	1 420	825	520	NTM Tayo Bry	- 730					. a.	1027	Erergo	0.48
90	2,750	Cance Salci	3 070	638	1310 .	Nibon Concept,	564	AUSTR	ALLA		. د.	5.75	0.27	Hang Lung	0.48
÷.,	1,100	Casto Competer	1.440	2.130: 11	1238	NHOR Sec	41.670	: 19	18	miles sive	Price -	30.75	22	Hang Seng Back umm	4.82
i	524	Canon Sales	840	1.629.	2 20 mile h	Nikoa Cerp.		High	Low	September, 16	Ants	185	3.8	Hongkong China	15.80
100 160	2440	Casta Elect. Per	2,990	2200	1,500	Nippon Dessa	1.510	7.8	4	Arietalde Steams	7.70	83	17	HK Electric	7.05
\$60 .	1.401		1,300	2,450	1 620	Nicone Garki	2 170	4.85	3.25	Amor	470 10	8.9	6.75	HK Land	7.95
	472		895	2,450	1,620 2,690 984	Nicoon Hodo	3810	4.85 0.52 1.82	0,16	Arladine Aust	1 30	7.55	3.8	HK Shanghal Hotels	1495
ut .	1 700	Inster Chemical	815	1,280	984	Mippon Kayaka	1,230	112	11	ANT Group	5 %	54	5 15	HK Teleromen	- 525

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	2,400 1,100 1,000 1,	1460 7612 2.556 2.1450 2.556 2.1450 2.500 3.110 2.500 3.110 3.513	Date in Can Bank 2004 Date in Can Bank 2.053 Date in Can Bank 11.15 Dation Indo 12.053 Dation Indo 2.060 Dation Indo 700 Dation Indo 2.010 Dation Indo 1.200 Dation Indo 1.201 Faile Electric 7.90 Faile Electric 7.90	1 570- 1224 901 970 970 970 970 970 970 780 9 22,130 9 1,570 9 1,570 1,570 1,570	1500 9073 1620 1620 1571 1624 9073 1550 1571 1571 1571 1571 1571 1571 1571	Odakye Eles Riy 1.130 Ohinye Eles Riy 943 Ohi Textris 1.000 Oda Ciccitis 1.000 Okuma Mach 1.100 Okuma Mach 1.000 Okuma Mach 1.000 Okuma Mach 1.000 Okuma Mach 1.000 Oback Contast 923 Overnst 1.000 Orient Finance 3.250 Orient Lassing 3.150 Ostasta Genast Con 8550 Pisacer 3.760 Restown 917 Riscio 1.250 Neuron 1.250 Scientis 1.250			DENS SAFE	IBHP BAIP Goid. Bell Roop Bell Reson Bourd Carp I Brand Carp I Brand Carp I Brands Carp Brandschild Cards Carp Carcesond I Carso Carp Carcesond I Coast Carp Carcesond I Carb Carcesond I Carb Carcesond I Carb Carb Carb Carb Carb Carb Carb Carb	res4 Holps4 res4 p5 p4 p5 p4 p5 p4 p5 p4 p5 p4 p5 p4 p5 p4 p5		$\begin{array}{c} 3 & 7.1 \\ 3 & 7.6 \\ 2 & 0.7 \\ 3 & 7.4 \\ 5 & 11 \\ 5 & 7.2 \\ 6 & 2.0 \\ \hline \\ $	5 Rec 5 SH Be 5 She Be 5 She Be 5 She Be 5 We 5 We 5 We 5 We 5 We 6 Gev 6 Gev 1 She 1	rf Hidgs 7.56 sort ad 8.40 tid ant Hidgs 3.65 tember 16 85 stead Hidgs 1.41 box Facilit 6.00 Stead Hidgs 1.41 box Facilit 6.00 Stead Hidgs 7.50 at Jug 7.50 at Jug and Statistics 2.62 cape Bid 6.25 per Bros 2.75 and Batting 4.84 ana Batting 4.84 ana Batting 1.45 ti Parpose 7.65 c Datting 3.34 ti Bant 1.23 tin Sant 3.26 aparc Air 1.150 apart Batt rade grices, (a) 2.99 tes Batt 2.99 are tast trade grices, (a) 2.94 are tast trade grices, (a) partial trade grices, (a) page are as gootd on the 5 Ex all.	Scherter .40 Scherka .48 Scherka .48 Soeingri .24 Soeingri .24 Secorettik .40 Setter .50 Setter .10 Sequent .10 Siter .10 Siter .5 Siter .10 Siter	$\begin{array}{c} 1000\\ 1000\\ 9\ 1051\\ 7\ 4715\\ 255\\ 115\\ 371\\ 15\\ 15\\ 15\\ 15\\ 15\\ 15\\ 15\\ 15\\ 15\\ 1$;188;188;189;189;193;194;194;194;194;197;193;194;194;194;194;194;194;194;194;194;194	5,20,0,0,0,5,5,0,0,0,0,0,5,5,4,5,5,7,5,4,5,5,4,5,5,4,5,5,6,1,1,2,0,0,0,1,2,0,0,0,1,2,0,0,0,0,0,0,0	עליליליליען און אין אין אין אין אין אין אין אין אין אי	lacum 320 elacum 320 elacum elacum lalaba (caluf a lalaba elabon 9 elabon 9	7825 244 14 221510 105 14 3221510 105 14 32515 154 12 25150 155 25 155 154 26 156 154 13 362 20 1 11 102 687 16 112 284 7 62 21 14 1050 14 15 535 335 16 11 122 17 622 241 14 1050 14 05 335 335 15 1057 172 15 1057 172 2 9 15 15 1057 172 2 9 15 15 1057 172 2 9 16 1 137 1057		
-	2130 3,826 2,500 815 1,200	1,700 2,406 1,250 587 380 1,300 1,300 1,300	Ishihara Saogro 690	2,290 1,600 3,080 3,080	1.619 2.059 2.059 2.059 1.440 1.450 1.510 7.511 1.510 7.511 1.510 7.511 1.500 7.511 1.500 7.511 1.500 7.511 1.500 7.511 1.500 7.511 1.500 7.511 1.5000 1.5000 1.5000 1.5000 1.5000 1.5000 1.5000 1.5000 1.5000 1.50000 1.50000 1.50000000000	Samo Bant		EW	YO	RK	DO	<u>n jo</u>	NES		IND	CES		Sept	Sept	Sept	Sept			
	1,200 752 878 1,730 4,800 1,070	380 580 1,500	Income 675 Income 814 Resear Foods 1,430 No. Yorkado 4,030 Inggion Electric 1960	1900 7276 2700	1400	Secon 1.730	1 1.			Se .	Sep Sep	5.9	. 19		Since compilation			16	15	14	13	8ligh	Low	
	1,070 1,250 16,100				1,510 780 7,000	Setion Processer 1.700 Setion Processer 1.140	-	destriais	· ·		15 14 092.28 2100.64		High 2158.61 6/77 91.25	1879.14 (20/1) 36.12	High Low 2722.42 41.22 (25/8/87) (2/7/32)	AUSTRALIA All Ordinaries (1/1) All Mining (1/1/8)	1/809	1559.9 719.8	1567.9 729.2	1549.5 718.5	1530.6 711.1	1657.8 (9/8) 847.8 (9/8)	1170,7 (10/2) 532,4 (10/2)	
	1,750	1000 12,400 1,126 499 499 499 499 499 499 499 499 499 1,560	JE01 1,000 Japan Radio 1,500 Japan Steel Wits 596 Japan Spech Nor 1,570 Japan Spech Nor 1,570 Japan Spech Nor 1,570 Japan Spech Nor 1,570	1120	521 745 1.640	Sharp 1130 Shiniza Censtract 11020 Shiniza Censtract 11020 Shinecol 1770	Ho Ta	me Boads . Insport			88.96 88.87 870.37 875.30	88.88 871.57	908.45		1101_16 12.52 14464577 68/7/32 227.63 10.50	AUSTRIA Credit Aktien (30/	12/84)	201.4	200.6	200.3	200.0	201.4 (16/9)	163.98 (11/2)	
а ⁴⁴	1,340 942 2,220	933 651 1,500	Japan Speth Nor 1,670 Julio Paper	1988	1.400	Shows Albertaine 835 Shows Denic 870	100	1)ties			179.05 179.82		500 190.02 25/11	11/26	14464877 6477522 227.83 10.30 2271,877 6844,322	BELGIUM Brissels SE CL/LA DENMARK	540	5102.9	5068.3	5035.6	5007.8	5102.9 (16/9)	3608,35(4/1)	
	1,650 2,180 675	1270	Kalen Plana 1,410 Kalen Plana	1470	1,046	Second Brand Millt 1.250	40 ST	ay's high a ANDARD A mposite t		ors :	Low 2077.70 (2 268.13 269.51		275.66	242,63	336.77 1 4.40	Copenhagen SE Ch FINLAND		221.86	221.26	220.56	220.18	227.86 (3/8)	130.68 (4/1)	
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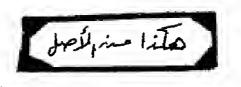
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All the difference in the world

re the differences between Japanese and US companies shrinking as the two sides learn more about each other? The Japanese Ministry for Interna-tional Trade and Industry thinks so. Bnt the evidence it

thinks so. But the evidence it offers is not as convincing as the ministry might like. Miti concluded in s recent survey that many of the differ-ences hetween Japanese and US companies had shrunk since it last carried ont a

study 10 years ago. Japanese companies which had previously clted "higher turnover" as their most impor-tant objective now shared with US groups a goal of "higher profit". They also now placed less emphasis on the pursuit of economies of scale than they did and took more account of a wider range of strategies such as the correct pricing of new products.

There are two difficulties with these conclusions. The first is that the answers the snrvey has produced are exactly those which best suit Miti. It is desperately anxious to reassure trading partners that Japanese companies are playing the game by the same rules as averyone else rules as everyone else. The second difficulty is that

the report itself describes msny important ways in which Japanese and US companies continue to differ. These

nies continue to differ. These points are presented as qual-ifications to the main theme. In fact, they are better regarded as contradictions. Chief among them is the well-established view that Jap-anese companies operate on a much longer time frame than American rivals. So even American rivals. So even though profit maximisation is now cited as a shared goal, this does not mean that pro-jects are assessed in the same way.

Sharp divergence in planning horizons

American corporations will generally decide against new lines of business unless they see a profit within three years, Miti says, whereas Japanese corporations will make a move

ill Gates, at 32 years of age the world's young-est dollar billionaire and the most influential figure in the microcompu-

tial figure in the microcompu-ter industry, was in character-istically expansive form. "What should business peo-ple understand about the soft-ware industry?" he mused. "They should understand that it is a volatile business. Soft-ware companies come and go but there are a few that stick around." around."

around." Microsoft, the company of which he is co-founder and chairman, is the star of that élite group. With sales last year in excess of \$580m, the 13-year old company is now the world's largest independent microcomputer softwsre maker.

maker. Microsoft alone of the major players seems immune to the technological traumas and tidal waves of fashion which periodically resbape the per-sonal computer landscape

Its seeming invulnerability is closely tied to the personal-ity of William H. Gates III – "Trey" to his close family. He comhines technical virtuosity, a sharp nose for significant trends in microcomputer soft-

ware and an ability to per-suade other companies in the business that he is their closest friend and ally. A large part of Mr Gates' success lies in his ability to do his best work for all the big his best work for all the big rivals simultaneously. "Ask IBM who its most important partner is," he boasts. "Ask Apple; ask AT&T." The conse-quence is that no matter which battle happens to be raging in the industry st any time, Gatea and Microsoft cannot lose; they back all the horses in the rese back all the horses in the race. Look, for example, at the current controversy over oper-ating systems for IBM-style personal computers. An operating system is a complex piece of software which controls the inner workings of the compnter, determining what kind of software can run on it and how efficiently It performs.

Microsoft developed an oper-ating system called MS/DOS for IBM's first generation personal computer. Both the computer and the operating system have since become the world standards. Last year, IBM launched a new generation of personal computers featuring a new operating system, OS/2. Again, it was written by Micro-soft, this time with IBM's assistance. There is fierce argument in the industry over whether OS/2 should become the new world-wide standard. To Micro-soft, it simply does not matter. Having written both, it wins either way.

The microcomputer software industry is bizarre by any con-ventional standards, a collec-tion of companies founded and driven by technologically iffed entraprogeneurs shick dee gifted entrepreneurs which rise to fame on the basis of a sin-gle, often brilliantly conceived

THE MONDAY INTERVIEW **Riding on all** the horses

Alan Cane talks to Bill Gates of Microsoft, the world's largest independent software company

gives you a central role, but if you combine that with our key

characteristic of taking a long-term view, and our desire to see that all the pieces fit together, then we have a unique role."

Microsoft's chief strength seems to be its development

skills, its ability to take a prod-uct concept and make the most of it. It does not, howsver,

seem to be a company that has produced many original prod-

Asked about Microsoft's main contribution to personal computing, Mr Gates points to MS/DOS. "That is our greatest contribution. Before we did

MS/DOS, everyhody mads incompatible hardware and you could not move the appli-cation software around. With MS/DOS we created a situation

where hundreds of manufac-

turers could maks machines' and the software was inter-

changeable. It created an

True enough. But it hardly does justice to IBM's market-ing skills in promoting the per-

sonal computer as a business tool - or indeed to Microsoft's

great rival in the early days, Digital Research, which dem-onstrated software compatibil-

ity for an earlier generation of machines with an operating

Technologically, Mr Gstes

soon on all personal comput-ers. It will involve communi-

cating with the computer

through pictures and windows

which open up on the screen, rather than by typing in writ-

ten commands, But the pioneering work on graphical interfaces was in fact

carried out at Xeroz's Palo Alto research centre over 20 years ago. Nevertheless, Micro-

system called CP/M.

uct ideas.

explosion."

program, and which fade just as quickly when they cannot repeat their success. Microsoft is an exception. It has a remarkable diversity of products including program-ming languages, operating systems and applications pro-grams (which carries out a task for the customer like word task for the customer like word processing or accounts man-

gement). Mr Gates' claim to have Mr Gates' claim to have founded the personal computer industry in the US predates those of better known figures like Steve Jobs, of Apple fame, by several years. By his own account, he and Paul Allen, his co-founder in Microsoft, were the first to buy a microprocessor from the

a microprocessor from the inventors, the semiconductor manufacturer Intel, and set

PERSONAL FILE

1956 Born Seattle 1970 Began writing computer

programs 1974 Developed first version of Basic for microprocessors 1975 Dropped out of Harvard to found Microsoft 1980 Developed MS/DOS for the IBM PersonalComputer 1986 Microsoft went public; Gates'a 45 per cent holding valued at \$350m 1987 IBM launched new

generation of PCs using new Microsoft system, OS/2

about programming it. "Intel themselves did not understand the importance of the advance they had made in building the microprocessor," he claims. microprocessor," he claims. "Paul Allen and I wrote to Intel to tell them what an unbelievable device they had created. That was in 1974. Steve Jobs had nothing to do with the creation of the personal commiter industry." claims that Microsoft's chief contribution has been its pio-neering work on the graphical interface that will be featured mputer industry."

Since then, has the personal computer business developed according to expectations? according to expectations? "Because of our central role, things have developed the way" we expected them to," Mr Gates says. "That is because we have been involved in every aspect of the business. When Intel these days wants to know what to design into a chip, who soft'a "Windows" graphical interface seems certain to set the world standard.

FINANCIAL TIMES

In all the major applications areas, Microsoft seems to have triumphed by huilding high quality second generation products rather than through innovation. The early leader in word processing, for example, was MicroPro with a program called WordStar. In file management it was, and still is, Ashton Tate with DBase. In spreadsheets, perhaps the most important husiness use of microcomputers next to word processing, Visicale had initial success before Lotus Develop ment Corporation took a com-manding lead with the all-time best seller "1-2-3". And just for the record, Microsoft did not originate MS/

DOS; faced with a request from IBM for a personal computer opersting system. Gates bought a program called QDOS (Quick and Dirty Operating System) from a Seattle software house, cleaned it up and found himself with a product which, in various versions, now runs on some 20m com-puters world wide.

For all his shrewdness and business acumen, Mr Gates seems to ignore that there was well developed, mature mainframe software husiness before the age of the microprocessor. For him, the world seems to have started with the first Intel microprocessor chip. "Before we did MS/DOS," he says, "there really was not much of a software industry. There were guys doing mainframe

commercial aspects of big machine software: "The way software works," he says, "is that people get excited about it. They tell their friends. That

packages and a few personal computer packages." He seems unaware of the

is the way it works. If some body is confused about which version of a product to buy, they should ask a friend who really likes personal computers what to buy. Everybody should have a friend who really likes

personal computers." Mr Gates has had his fail-ures from time to time. An operating system, MSX, which the company developed for first generation computers, sold well only in Japan. His

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partner is. Ask Apple. Ask AT&T.'

libraries of information availideas for "softer software" - software which would learn as able to the computer user at it was used - have been in the the press of a button. laboratory for four years now and a commercial product is still an indefinite number of years off. He is predicting, however, exciting developments within

He even envisages a compact disc that would compete with the familiar accessibility of newapapers. "It will take improvements in compact disc technology as well as improve-ments in audio and video. But two or three years in compact discs used as computer memoin two or three years I will be ries. The idea is to use the - able to do e demonstration for huge storage capacity of a com- .you and you will say 'Wow! pact disc to provide massive. You were right'".

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Who said you can't mix business and pleasure.

Monday September 19 1988

'Ask IBM who its most important

medium or long term. It does not say, but Japanese compa-nies take this to mean five,

seven or even 10 years. Underlying this difference in planning horizon is the con-tinuing contrast between Jspanese and American company attitudes to the interests of investors. For US companies "increase in stock value" is s high priority. So high, com-ments Miti, that American companies "find it very diffi-cult to sacrifice sbort-term profits for long-term profits." Jspanese companies, mean-while, arc concerned with long-term growth.

The reason for this contrast, says Miti, is that the share-holders of Japanese companies include affiliates, customers, suppliers and banks, whereas the major shareholders of American companies are rate-of-return conscions institu-

tional investors. The report does not examine what might happen if Japsnese investors became more rate-of-return conscions. But the question is not purely academic hecsuse pressures is slowly increasing on Japanese investors to review the way they manage their portfolios. Financial deregulation is

opening np competition between different kinds of investing lastitutions. which were previously kept spart. Performance measurement of investment portfolios is gradn-ally gaining ground, not least because of the efforts of for-eign investment sdvisers to win Jonnase ellent win Japanese clients.

However, only some 30 per cent of equity in Japanese companies is currently freely traded. The rest is locked up in friendly long-term holdings. So it might take years before changes among investors start

to affect company behaviour. Moreover, as the Miti report points out, Japanese manag-ers' willingness to think long-term is not just a reflec-tion of the attitude of their shareholders - the priority placed on preserving jobs is a second powerful incentive. In a revealing example, Japanese companies were asked to name the biggest problem in establishing overseas manufacturing hases. They replied: "maintaining employment." domestic

Such an answer is a million miles away from what s US or European company might say. Pace Miti, that is all the difference in the world.

> tional law in order that, by the Stefan Wagstyl | comity of nations, other states

Abuse of immunity

will do unto us what we do iplomatic immunity found its expression in Britain last week in two separate instances. Two officials from the Cuban embassy, one of them the ambassador, were peremptorily extruded from this country by order of the Foreign Office for an incident involving the use of a firearm in public. And a Tanisian diplomat who has refused to pay £700-worth of

zles the public.

tatives of their sovereigns are

exempt from the jurisdiction of

English courts. It is an immu-

nity from legal process and not from legal liability.

The privilege has a long his-tory; the Diplomatic Privileges Act of 1708 itself was declara-

tory of the common law of

England. The law is now to be found in s statute of 1964

which gave effect to ths Vienna Convention on diplo-

mstic relations of 1961. The

of the diplomatic sgent, if liv-ing with him, and to his staff. Persons entitled to immuni-

ties fall into three main categories: diplomatic agents (who

enjoy a very large measure of

immunity from the legal pro-cess); members of the adminis-

cess); members of the adminis-trative and technical staff (whose immunity does not extend to civil proceedings in respect of scts outside the scope of their duties); and members of the service staff (who are immune neither from oriminal nos divil amores in

criminal nor civil process in respect of acts outside the scope of their duties). The

parking fines was told to leave the country. Both instances reveal the application of a branch of law that often puz-Foreign diplomatic agents -ambassadors, high commissioners, charges d'affaires and ministers – who are accred-lted to the Crown as represen-



unto them. In other words, the immunity given in this coun-try to ambassadors and their staff is maintained in order to protect our diplomatic mis-sions abroad. Reciprocity is the

Since the immunity belongs to the foreign sovereign and his representative, it can be waived in any instance with the consent of the sovereign. In the case of the third secretary of the Cuban embassy who was questioned hy police officers but later released, it appears that no waiver was forthcom-ing and would not have been given had the police and the Crown Prosecution Service decided to prosecute, hence the disengagement by the law



enforcement agents in favour of action by the Foreign Office. Whether the Cuban ambas-

sador was ever asked to con-sider a waiver for his member of staff in respect of a prosecu-tion for possessing a firearm in public is not clear. The marching orders given by Mr Tim Eggar, the Minister at the For-eign Office, to the Cuban ambassador indicate an intransigent attitude on the latter's part to requests to deal with the unacceptable behaviour of a member of his staff.

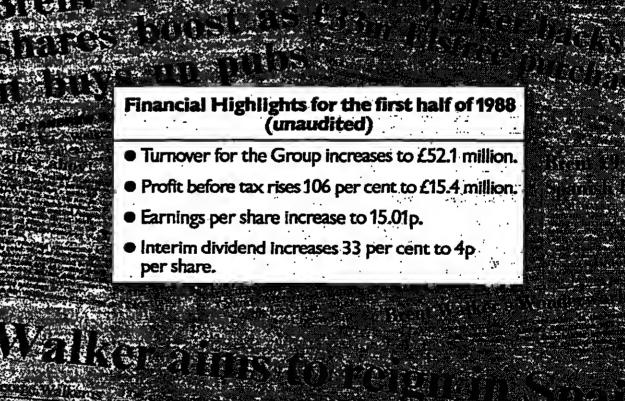
premises of the emhassy or high commission are inviolate, as are the diplomatic archives Less serions conduct by and documents at any time embassy staff is much more easily accommodated. According to official statistics diploand wherever they may be. The privilege of the diplomatic agent does not attach to him in his own right. It mats in London are frequent recipients of parking tickets. In 1984 about 100,000 parking attaches to him in his capacity fines were unpaid by diplo-mats. Since then, the Govern-ment has published a league as the representative of his sovereign. But the basis of the privilege is not merely to table of non-paying embassies, in the hope that shame in appearing high in the table of accord recognition to the dignity of the foreign sovereign. The sostention from inquiry is maintained under internanon-payers would produce greater compliance with the parking laws. The Tunisian laws in individual cases.

diplomat is the first to be expelled for the non-payment parking fines.

of parking fines. Diplomatic flouting of the parking laws is a persistent irritant on a fairly large scale but it is clearly tolerable. The presence of armourles in embassies, however, for poten-tial usa cuttide the mission is tial use outside the mission, is not. When the Libyan embassy shooting occurred a few years ago there were proposals to effect some surveillance of the imports of firearms. Article 27 (3) of the Viena Convention is mambiguous in declaring that "the diplomatic bag shall not he opened or detained," and any courier, who must carry an official document identitying his status, enjoys personal inviolability. Since the diplomatic bag can contain only diplomatic documents or articles intended for official use it could be seized hat only if it was known that it contained something other than the diplomatic document or article. Putting the bag through elec-tronic devices has heen regarded as an impermissible "detention" of the diplomatic

bag. At present there seems to be no concerted move among the international community to amend the Vienna Conven-tion to permit countries to subject the diplomatic bag to any form of inspection, even if it involved no physical intervention by customs officers.

Justinian was taken to task last week for the article on the Sharpeville Six and the South African courts (FT, September 12). While not dissenting from the criticism that the article had not castigated the South had not castigated the South African judges for having dis-played judicial inactivism in putting any restraint on the application of apartheid laws, it should be pointed out that the article was intended simply the article and not to avanation to explain and not to exonerate the judges. The explanation was that the judiciary under the South African constitution was given little room for curb-ing the legislative and executive arms of government. Given those severe limitations, it is nevertheless right to fault South African judges for not having given public expression to the manifest and manifold injustices perpetrated by the legal system of apartheid, if only as an appendage to the enforcement of such unjust



"I am delighted to report that the Group has once again achieved excellent results for the first half of the year. Turnover has increased by 130 per cent to £52.14 million whilst profit before tax has risen substantially to £15.39 million, a rise of 106 per cent. -

"The Directors are pleased to recommend the payment of an Interim dividend of 4p per share.

"The Group has achieved its goals and targets by the continuing success of its trading activities, the development of existing sites and the integration of recent acquisitions. Suitable acquisitions continue to be made as is evidenced by our joint venture agreement to purchase Elstree Film Studios.

"In the period under review, the Group acquired 386. public houses forming the core of our inns Division and, related to this, an 80 per cent holding in Carmarthen Water Limited, producers of Prysg Welsh spring water. Also in the United Kingdom we have agreed to purchase The Lyceum. Walker Power has been a remarkable success at all levels. In addition, we are undertaking the management of Wonderworld, the major themepark to be built at Corby.

"Our overseas expansion progresses with the increased investment to 76 per cent in Marina Puerto de Santa Maria SA (Puerto Sherry) and 8km from this site the purchase of Aqua Sherry a water theme park. Also in Spain we have acquired a site for villa development at Puerto Luz in Minorca.

"The Group possesses a strong asset base underpinning its range of leisure and leisure related activities, both in the United Kingdom and overseas. The substantial property element comprising a majority of freehold premises supports this asset base and is aliled to substantial unutilised borrowing facilities, the interest rates on the majority of which have been fixed at advantageous levels. These factors allow me to look forward with enormous confidence to the rapid devalopment of the Group."

A copy of the Chairman's Statement and a review of operations is available from the Company Secretary, The Brent Walker Group PLC, Knightsbridge House, 197 Knightsbridge, London SW7 1RB.

THE BRENT WALKER GROUP WORKING FOR PLEASURE

SECTION III **FINANCIAL TIMES**



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Wales' drive to diversify its economy is moving ahead. Confidence is high. New technology and

key service industries are putting down roots. But, behind current euphoria, there is still room for improvement, reports Anthony Moreton, the author of this survey

A revival in the making

A HIGHLY-EBULLIENT Peter major financial institution to Walker, the Secretary of State move into South Wales this for wales, could hardly contain his delight when he announced this month the arrival in Car-diff of N M Rothschild

Earlier this year the Welsh Secretary had thrown his weight behind an initiative called South East Wales, launched by the Welsh Development Agency and the local authorites, to develop this part of Wales as a leading financial

This was the first tangible success to report and it was a success of the highest order. Rothschild might be said to have put the blue in blue chip. The merchant bank handles the very best clients and to choose Cardiff for an outstation, where it is to offer a full range of services, indicated its confidence in the growth of the

Welsh economy. The Cardiff office is only the second to be established by Rothschild in the UK outside London. It has for years had one in Manchester, where its arrival had much to do with the fact that Nathan Rothschild, who founded the bank, had close links with that city and the Lancashire cotton Rothschild is the second

move into South Wales this year. TSB chose Newport for one of its fast-growing divi-sions expected to employ some 2,000 people in the next few years

In employment terms, Roths child new office does not begin to compare with that figure. But it will bring to Cardiff But It while bring to Cardiff what Mr Walker's colleagues in the Conservative party like to call "bottom", that indefinable something that adds weight and prestige to anything with which it is associated. When Mr Walker was trans-lated from the Knergy Depart.

lated from the Energy Depart-ment to Wales after the 1967 general election; he probably little imagined he was moving to a department with such a

rising profile. But he quickly saw his opportunity. Benefitting from nological industries. the work put in by his prede-cessor, now Lord Crickhowell, Mr, Walker has so energetically backed projects that even achievement:-1981 Labour politicians like the redoubtable Mrs Mattie Col-lins, leader of the Rhondda council, can be heard singing his praises.

The Welsh economy has been undergoing dramatic change during the 1980s. A country weaned on coal, steel,



Menal Bridge, Gwynedd, with the a



engineering and docks has had to come to terms with their eclipse as mainstays of the • a high flow of inward invest-

Mr Walker could have expanindustrial economy and enthu-siastically embrace newer techded on his theme and pointed ded on his theme and pointed to the air of prosperity in the centre of Cardiff which has become one of the most impor-tant shopping centres in Britain, a mecca for visiting parties from as far as 100 miles away; or to the £200m-plus redevelopment of the centre of Newport and the £1.5hn scheme to be undertaken in Cardiff's decaying docklands: Mr Walker loses no opportunity to outline a litany of Cardiff's decaying docklands; or to north east Wales where an enthusiastic Mervyn Phillips, chief executive of Clwyd County Council, points to the lowest unemployment for almost a decade and a

£160m redevelopment of part of the former steelworks site

under the aegis of Tarmac. Euphoria over the perfor-mance of the Welsh economy is not universally shared. There are other voices pointing out that much of the improvement is only recent and that if a longer view of the economy is taken, then Wales is in some respects not much further. advanced than in 1979.

Professor Ken George of Uni-versity College, Swansea, for instance, says that Wales is only water that Wales is only now making good the stagnation that occurred in the first half of the 1980s and that the improvement in the numbers out of work has not been

reflected by any increase in the numbers actually in work. But, undeterred, Mr Ian Kel-

sall, director of the CBI in Wales, says that in his 22 years in Cardiff he has never seen

such prosperity. "For most of that time Wales has not been a particularly happy place. The steel industry has shed 54,000 jobs since 1971 and coal has been decimated. with just 7,000 men left in an industry that once employed 270.000.

"But all of a sudden we have success on our hands and it is a different place to be. There is a completely different atmo-sphere. People now believe they can do things and firms compete with the best," says

Steel: Weish plants recover strength; profile of ASW 2	Severn Sridge: small print key to a second crossing
Profile: naw chairman designate of the WDA Coal: fight for a future goes on	Valleys Initiative: repairing the fabric of Wales' Inner City
North-East Walas: Clwyd	Mid Wales: house prices surga threat to jobs growth
Profile: Robertson group 4	The arts scene: national riches
Carditt: a £1.5on strategy	go on display

Tourism: targets lifted

CONTENTS

are growing rather than looking to protect their rear. "Years ago, it was said that Welshmen did not make good entrepreneurs. This is no longer true. It has now become acceptable to set up on your own account."

Swansea and Newport: regenerating economic lite 5

The official figures bear him out. One person in seven is now self-employed in Wales, according to the Training Commission, compared with one in nine in Britain as a whole. The only other part of the country to have such a high proportion is the South West of England. Evidence of the new Wales can be picked from almost any

tree. Steelmaking at the large integrated works in Port Tal-bot and Llanwern, Newport, is operating at 100 per cent of manned capacity, and the pri-vate sector through two companies, ASW and Brymbo, is doing wall. Last year Wales became the most favoured loca-tion in Britain for overseas investors, with 302 investments recorded by the Invest in Britain Bureau, a fifth of those coming to the UK.

Planning applications for major developments in commerce, housing and industry in the final quarter of last year increased to a peak of over 73 a month. The average for the year was 65 a month.

Investors in Industry - 3i, the venture-capital group --invested more than £19.5m during the 12 months to last March, half as much again as in the previous 12 months. Last year we completed 35 investments, a rise of a third," says Mr Charles Richardson, 3i director in Cardiff. "The local economy is in excellent shape and the professional commu-nity has never been so busy." Clear evidence that a new Wales is emerging is perhaps best personified by the research centre opened this year by AB Electronics in New-port which will co-ordinate all the R&D for the company's worldwide operations. The world-wide operations. The Weish Development Agency is putting more into specialised buildings geared particularly towards companies wanting high-technology facilities. "This is the only sensible path to take if we want Wales to

Mr David Wz.terstone, the agency's chief executive. Not all industrial news has been good. Last July, Rover been good. Last July, Rover closed its pressings plant in Llanelli with the loss of 900 jobs. A creamery in Dyfed went and a big job loss at a Lucas plant in the Swansea valley was only averted at the last moment by defi footwork. According to Professor Ken

According to Professor Ken George of the department of economics at University Col-lege, Swansea, much of the improvement has been achieved in the last three or four years: over the longer period - since the recession began - Wales has made little or no headway.

Wales is certainly progress-ing, but not as fast as the UK as a whole, he states. Growth rates have been low and, by the end of last year, manufacturing output was only just above its level in 1979.

Even between 1984 and 1986, the last year for which figures are available, Gross Domestic Product, did not rise as fast in Wales as in the UK as a whole. GDP per head was 87.1 per cent of the UK figure in 1984 and

85.7 per cent in 1986. "The picture for the first half of the 1980s was of a stagnant economy. In 1985 the index of Welsh industrial production and construction was nearly 3 per cent below its 1980 level and some 15 per cent below its 1979 level.

"Despite the growth in ser-vices real GDP was only 3.7 per cent higher in 1984 than in 1980, an annual growth of less than 1 per cent."

Professor George says that "the revival in the economy is reflected in a reversal of the upward trend in the rate of unemployment but the improvement on the unemployment front has not been accompanied by an increase in the number of people actually in work."

Employment in Wales fell Sharply between 1979 and 1984, with a loss of 127,000 jobs. By 1987, despite a small increase 1987, despite a small increase in self-employment, a further 19,000 jobs were lost. This trend, says Professor George, "shows no sign of reversing." Even the unemployment fig-

continued on back page

Amlwch, Crown Corrugated in Merthyr, Setten and Durward in Rhaya ler and Firsteel Metal Products at Aberdare.

• the lowest unemployment figures, at 10.7 per cent, since • a flow of new company arrivals such as Nice-Pak on Deeside, Osicom Technologies in Cardiff, both from the US, or expansions such as Rehau in

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You'll have a sharper edge in the City.

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PETER ALLEN plays it cool Steel is performing "extremely well" he says. It is an under statement though, with privati-sation looming fast on the borlzon, he might be excused for taking a cautious line. The fact is that steel in

Wales is booming. Port Talbot, one of the two main integrated mills in the country - and one of the five in Britain - is working at 100 per cent of its manned capacity, producing some 2.3m tormes of raw steel a year from a capacity of around 3m tonnes.

Llanwern, in Newport, the other integrated Welsh plant, is also working to 100 per cent of manned capacity and producing about the same total ton-nage. The tinplate works at Trostre and Velindre outside Swansea are working flat out and, in north Wales, Shotton works, the largest strip steel coatings plant in Europe, is

This is all a very long way from 1960 when the industry was losing millions of pounds a week, forcing British Steel to introduce a drastic retrenchment programme which resulted in 25,000 redundancies at Welsh steel plants in the space of a single year. At the start of this decade

British Steel was employing nearly 50,000 men. That figure is now down to around 18,000. But the industry has probably never been bealthier in modern times.

The workforce at Shotton, where around 8,000 went over-night, is now down to 2,200. But as at Port Talbot and Llanwern, productivity has increased Capacity in 1979 was touching 1.5m tonnes, and after the end of iron and steel-making, processing of strip steel in the coatings complex which remained was down to 10,000 tonnes a week. New capital investment and higher pro ductivity have doubled that figure to 20,000 tonnes.

More important, the industry has gone "downstream", produ-cing a higher-quality steel with greater added value, so contributing to the much healthier position British Steel finds itself in as, on September 5, it changed into a public limited company in advance of the public flotation.

Mr Allen naturally feels grat-ified at this change. He has seen it through the bad times and into the good. He is man-aging director of British Steel's strip mill products division. In effect, this is largely British Steel's Welsh operations since, outside Wales, there is only the large integrated works at Rav-enscraig in Scotland with some

Welsh steel industry recovers its strength

3,000 employees and one or two other small plants,

same tonnage. The industry is now producing more sophisti-cated grades of electrical steel, Mr Allen sits behind a sparsely-covered desk in a plain office in the Llanwern for instance, ont of the Orb works in Newport. It is producworks. "British Steel now has a very competitive position in the market place," he says. "We have maintained our coming more sophisticated tinplate. And it is producting coated sheet for the motor and petitive levels with the Europe-ans and we are directing investment towards the prod-ncts with more added-value." British Steel, in Wales as in building industries in particu-This is where Shotton is so

important. Some £30m has the UK, still lags some way been invested in new techniques and up-to-date machin-ery on a galvanising line at the behind the Far Eastern producers where output per man is higher, sometimes considera-North Wales works. In addi-tion, £32m has been spent on a by so. But Mr Allen contends that these plain comparisons are increasingly meaningless. As the industry strives for greater profitability the old measurements on by the heard electro-zinc line, both geared to the motor industry, and a new colour-coating line is in the process of being put in.

measurements go by the board. Hotpoint, in Llandudno, is Taking the downstream path, an example of the way British

adding value, means more employment to get ont the Steel is co-operating with the domestic-appliance industry. Hotpoint has no painting facil-ity and so it is taking printed sheet from Tafarnaubach in South Wales to its own specifications

Trostre is another example of new investment to upgrade the product. A continuous annealing lina costing £50m as been installed to produce better tinplate.

With strong order books, both home and overseas, the one worry at the moment is the sterling exchange rate. Mr Allan professes not to be unduly concerned, believing that "there is an acceptable belavice at the moment balance at the momant between tha pound and the D-mark and the dollar." He would like rates somewhat lower but takes comfort from

the weight of dollar-denominated purchases and D-mark-donominated sales working in

The strength of the industry in Wales is likely to be under-planed when the industry goes private because British Steel will then be able to take a purely commercial approach to the question of the fifth inte-The view from Alan Cox's window takes in the waste-lands on which GKN's East Moors plant in Cardiff once stood. Beyond stands the Tre-morfa works of his company ASW, the private steelmaker, one of only two in Wales Brymbo being the other; grated mill. This is something Mr Allen will make no comment upon, referring any ques-tions to what Sir Robert Scho-ley, British Steel's chairman, and Mr Kenneth Clarke, the (Brymbo being the other), which came to the market last then Industry Minister said.

Mr Clarke gave a commit-ment last December for steel making to continue at all five plants for "a number of years." In particular, he said steel making would continue at Ravenscraig for at least seven years, "subject to market con-ditions," and that the strip mill there would continue to oper-ate at least until the end of next year. This was a political commit-

ment. If there is any change in demand, in particular if demand drops, then it would, on commercial grounds, make more sense to absorb Raven-scraig's steel making into Llan-wern and Port Talbot. An easier case could be made out for integrating the strip mills in this way because there is serious overcapacity through-out Europe in this sector. One recent report from the Institute of Fiscal Studies has

admire the view. The waste-lands are now part of the film Cardiff Bay development that suggested that, over the next will transform the shoddy-looking docklands into a city for the 21st century. Mr Cox sits on the board of the Devel-opment Corporation. What happens to his view in the decade, investment and capac-ity in Wales could be increased substantially to make the two South Wales integrated works the largest in Britain and among the largest in Europe. Any such moves would almost certainly involve the closure of Resumerain future is as interesting to him as the comparisons he draws Ravenscraig. A commercial management from it today. "We shortened the name

as British Steel will shortly become, would not be bound by political constraints beyond those carefully phrased. But for political reasons everyone in British Steel plays a dead bat on these issues just at the Not that the matter is relevant just now. The three works

in the division are producing at capacity as prasently manned and Wales could not absorb the Scottish steel out-put in the short term.

But if the market changes, then a very different strategy could be needed and one in which Wales would undoubtedly benefit. After the traumas of the early 1980s the country is gratified that the early 1990s could bring great benefits from its most important manufacturing industry.

Profile: ASW

Steel first ASW'e Alen Cox

all steel quotas and there were fears of a price war and loss of

The doubters had not, how-ever, taken into account the

immense effort at increasing

productivity initiated by Mr Cox and his management team

market share.

SHYS.

Restorer of City faith

FINANCIAL TIMES MONDAY SEPTEMBER 19 1988

the best operations in Europe, the US and Japan; especially

There were technological agreements with Kobe Steel and Kyoei Steel, Today, there are still two Japanese working with ASW in Cardiff and Mr Cox is off to Japan next month to see these companies. Investment was stepped up

- more than £35m has been spent - and productivity improved. ASW, Mr Cox con-cèdes, is still not as efficient as the best Japanese concerns but the gap has narrowed and he claims it is continuing to mar-

Half of ASW's output goes to the construction industry and the boom in the economy is being reflected in the compabeing reflected in the compa-ny's results. That boom is now sucking in imports which account for between 8 and 30 per cent of the UK market according to the sector. This could turn into a threat to ASW's position if sterling remains strong.

with the level of staining because he datects rising prices among his Kuropean competitors. He also sees the EEC not only tightening the rules on hidden subsidies but also acting against them more stringently. With a fifth of sales coming from exports he

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But the worries over Britain's rising balance of pay-ments deficit have exposed fears about the solidity of the boom. Any check to its upward progress, or even slowing of the rate of growth, would hit construction early and domino

Mr Cox's retort is that "the main thing is an ability to deliver a good product with excellent service. With that at your back sales can meet the competition. There are a lot of projects around and we are not

He is careful, though, not to extending what the company is already doing in the steel industry. We would not go into something new in the UK," he

over the past seven years. The ASW, with the finance being provided by three venture-capi-tal institutions - Investors in company sent over 200 employees at a cost of some f3m to hy Swansea STCHOICE

Industry (31), Charterhouse and Mercury Asset Management, a subsidiary of ASW's merchant bank, S.G. Warburg. These three took 30 per cent of the capital and BSC the remainder, although the man-agement also contributed \$700,000. GKN opted out. The three institutions then The three institutions then gently massaged the City to convince them of the worth of

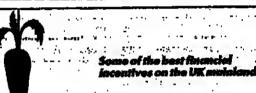
mains strong. Mr Cox is not too concerned with the level of sterling ASW. Mr Cox admits there were difficulties but ha was more than pleased with the result even if the placing at 150p a share - now 20 per cent higher - rated the company as a yield stock. "I want to see us re-rated on a growth basis," he

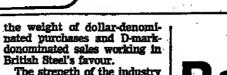
is clearly in a strong position. Some 70 per cent of the shares were placed with a wide spread of institutions, none holding more than 3 per cent of the equity, and 10 per cent was allocated to the employees. BSC kept the remainder. The successful flotation - "I

think the market is now gain-ing confidence in basic busionto ASW. nesses," Mr Cox says - could

hava an important conse-quence for British Steel, making it easier for the state giant to be accepted. ASW could not have come to the market at a much more difficult time. The European Commission, confronted by overcapacity, had just ended over-dependent on any one."

He is carreful, though, not to be carried away by the growth in the market. ASW has to improve its existing business, grow in Europe and consider how it might extend its own frontiers. "Any acquisitions will he bolt-on additions, extending what the company is Savs.





THE VIEW from Alan Cox's

Mr Cox likes the view. It reminds him of how much progress ASW has made since it became the first of the steel

companies, then called Allied Steel and Wire, set up in 1981 as part of the Phoenix pro-

gramme of joint ventures between the state-owned Brit

ish Steel Corporation and the

"At East Moors it took over

"At East Moors it took over 4,000 people to produce 600,000 tonnes of billets a year," he says. "Wa produce a third as much again from 340 men". Technological change, mak-ing assets work, has turned round ASW from the point where it was losing \$2m a month, when it came into exis-

tence, to today when it is mak-

ing about £2m a month. Mr Cox has other reasons to

because we did not want the word "steel" in it" - is not just a steel success story. It has

been seen as a talisman for the

privatisation of British Steel. This year ASW achieved another first, the first steel

company to come to the mar-ket for decades. The City was

nervous. It had little experi-

ence of steel companies since renationalisation in 1964 and

feared that an issue might fall

flat on its face. To overcome these fears

Allied Steel and Wire was

brought to the market in a two stage operation. The first stage, completed last year, con-sisted of the joint shareholders, BSC and GKN, selling their

holdings to a new company,

private sector.

and a second state of the second s



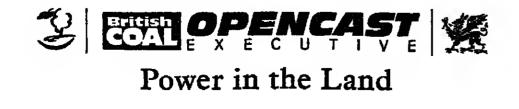
WALES 2 As British Steel prepares for privatisation

What do you call a company which...

made £36 million profit last year in South Wales...

spends £350 every hour restoring the beautiful Welsh countryside...

and is looking for a thousand new workers?







DR GWYN JONES could be forgiven for thinking that fate deals some people a couple of very nice trump cards. He had been invited, with his wife, to a lunch in Swanses at which Mr Peter Walker intended to meet young, up-and-coming busi-nessmen. The Jones were seated opposite the Secretary of State and at the end of a pleasant but seemingly innocuous meal the two returned to their farmhouse in Reynoldston towards the far end of

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Gower peninsula. The following morning Dr Jones received a call asking Jones received a call asking him to meet the Secretary of State in his Gwydr House office overlooking whitehall it was then, last April, that Dr Jones was offered the chair-manship of the Welsh Development Agency. For the rest of Wales it was very much a ques-tion of Dr Who?

The 39-year-old Gwyn Jones has made a million - several in fact - in the computer services industry but he was com-pletely unknown on the indus-trial and political front. He was, however, a man in the Walker mould. Self-made, a success, wealthy. And young. When the Secretary of State was asked subsequently if Dr

the biggest and most important

Jones was not rather young at 39 for the job, a key one in the economic and commercial regeneration of Wales, he replied that he himself had been in the Cabinet for a couple of years by the time he was

.

that age. The search for a new man to agency had been head the agency had been going on since last September when the present incumbent. Mr John Williams, announced - through an interview in the Wales survey of the Financial Times - that enough was enough Mr Williams thought

five or six years as chairman was sufficient and he would bow out when a successor had been found. That article set the usual Whitehall apparatus into action. Those whose duty it was to compile lists of the

Welsh Great and the Good cranked into action. Prominent Welshmen running multinational companies were evaluated and names put forward. Mr Walker, though, had other ideas. He had announced on taking office in June 1987 that he would seek young men and women to ful the jobs that her her her her her her menint lay in his hands. The appoint-

ment of Dr Jones to perhaps

Mr Peter Walker has made a surprise economic appointment The new doctor at the WDA

economic post the Welsh Office has in its suzerainty is an acknowledgemant that Mr Walker is playing a very close role in these matters.

The choice of Dr Jones was not as capricious as may have seemed at first sight, though, People do not get to sit next to Mr Walker hy accident. Dr Jones had been recommended through the Conservative party, where he was known for his ability in creating a software company trading as LG Software but owned by Corpo-rate Technology. He had been evaluated by Mr Walker well before the meeting and was well within the Minister's sights long before they sat. down to eat.

Gwyn Jones was born and brought up in Porthmadog, a small seaside town North Wales. His parents, hoth Welsh speaking, as he is, origi-nally kept The Australia public house but when he was about eight moved to a shop.

The experience in the shop

politics of sport.

His experience of Essex is very important to him because it fashioned much of his later thinking, perhaps even his atti-tudes, towards politics. He found that hy organisational skill and a certain amount of profit concentrating on selling the fast-moving lines to the exclusion of the others. The politicing he could get what he wanted rather than what others wanted.

"When I arrived Essex had businessman in him was on the lowest income per head for From grammar school at sports of any university. By the time I left it was the high-Porthmadog he went to Manchester University, taking a First in Computer Sciences, est. By bringing this about I realised, for the first time, I had the organisational and and then he moved on to Essex political skills to succeed."

Manchester had been typical student days. "I had a good time, I worked hard, but I gave Those skills were soon to be put to use on his own account. Five years with British Steel nothing back." Essex was difand ICL led him and three ferent. Gwyn Jones arrived at the height of the student revo-lution that concentrated much friends to set up Business Micro Systems, the original name of LG Software, in 1980, though he did not actually join of its fire on that particular campus. "Essex was a great place to be but the trouble the concern until 1981. There were differences of opinion itself was terribla. It was largely fuelled by people com-ing in to disrupt things." He professes not to have over which way the company should go and a year later two of the partners left. The first thought behind

Business Micro Systems was to sell software packages to small businesses, "but I could quickly see this was the kiss of death. I had been attracted

because of my small-business background hut it soon became clear that there was little scope.

"Our breakthrough was in finding a new target, local gov-ernment. There was no software being developed specifi-cally for local authority use and yet this was a growing market. We provided it." Very soon the renamed company was providing software to a third of the 450 councils in Britain.

By 1986, Gwyn Jones and his partner realised that the company, which was then on the USM needed to expand but they also felt they had gone as far as they wanted to with it. So they approached Lazards which set up a structured sale in March last year.

The business netted a nice sum - Dr Jones is guite unabashed that it is in millions, though be will not say how many - and time to him-self and his family after several years of working around the clock. By the turn of this year, complete leisure was beginning to pall when he received that invitation to lunch with the Welsh Secretary. Suddenly, Dr Jones had a new challenge...

Dr Gwyn Jones, chairman designate of the WDA "They both worked hard in it," he says, "and I used to help them a lot. It is from them that I got any sense of drive and hard work that I may have."

was turned to good effect one summer when he was 15 and employed selling ice-cream in the nearby Butlin's holiday camp. The young Gwyn discov-ered you could make more the move.

for a doctorate.

taken any part in the politics

of the time but he quickly became president of the sports

federation and acknowledges that he did get involved in the

As the South Wales coalfield prepares to lose its area status Fight for a future goes on

SID MOORE puts a brave face on it. "Wa want customers to buy from us because our coal is cheaper than they can get elsewhere. Wa want to be a supplier of choice." "We" are British Coal and by

"customers" Mr Moore, mar-keting director for the South Wales coalfield, means the Central Electricity Generating Board. He is thinking ahead to the days when a privatised electricity industry is completely free to buy its coal from any source.

The CEGB now buys 3.5m tonnes a year from the British Coal's Sonth Wales area over half the area's output and the loss of that contract would be catastrophic. But Mr Moore points out that the five Weish pits that supply the CEGB are producing below the industry's cost parameter.

The way in which the coal industry in South Wales has managed to overcome the geological problems with which it operates is a success story. Just over a third of output is. now being mined by the retreat system by which a tunnel is cut through to the boundary of the seam so that the coal faces can be worked rapidly in the

reverse direction. Under this system, any there will be just 10 left in faults in the geology of the - South Wales employing about seam - and in South Wales. 6,700 men. There is also one pit there are few even seams - can

deep mines should lead the area into profitability in the second half of this year, Mr Moore says, a distinct improve-ment over the £72m loss (a fig-ure reduced to £36m for South

Wales as a whole after taking into account the profit from open-cast operations) last year. It is, though, difficult to get over optimistic about the state of the industry in Wales. At a review meeting with the National Union of Minework-ers three weeks ago Mr Ron Price, the area director, warned that two more pits had questionmarks over them. Notice was served on the Marine, in Gwent, employing 763 men, and the Cynheidre in West Wales employing 662, both of which have run up severe losses" in recent years. that considerable improvements are needed, and quickly, if they are to survive. Mr Price believes Marine can

pull through but there are more doubts over Cynheidre, which is producing between 3,500 and 4,000 tonnes a week now and needs 5,250 tonnes to pull through. If Cynheidre closes a £30m investment nordwr at Commy Form cynh nearby at Carway Fawr could also be hit.

in the north, Point of Ayr, employing some 600. In 1960, when British Coal moved to its the remaining pits will be reor-ganised under group managers from an office in Tredomen. Some 200 of the 350 jobs in

Cardiff will disappear. At Margam, the £90m super-pit which could employ up to 800, remains on ice so long as the NUM refuses to agree on flexible working over six days. To exacerbate matters, the highly-profitable open-cast operation is increasingly run-ning into flak from local groups who simply do not want big holes ripped in the ground alongside them and are taking advantage of the plan-ning regulations to thwart the

open-cast executive. Before the miners' strike in 1984 open-cast accounted for 2.2m tonnes in South Wales, That figure is now down to 1.2m tonnes. Even so, open-cast brought in a profit of £36m last ar and is expected to contrib-

nte £28m this year. The situation is even more difficult in North Wales where no open-cast working is taking place since Ley Farm, near Chick, ended in June. Mr Terry Gill, director of open-cast cov-ering North Wales, wants to produce 250,000 tonnes from two sites. But because of the delays in getting planning applications through, he will

not be able to start on another site for at least a year. "If we could get back to the pre-strike level," Mr Bryan Rid-dieston, the regional open-cast

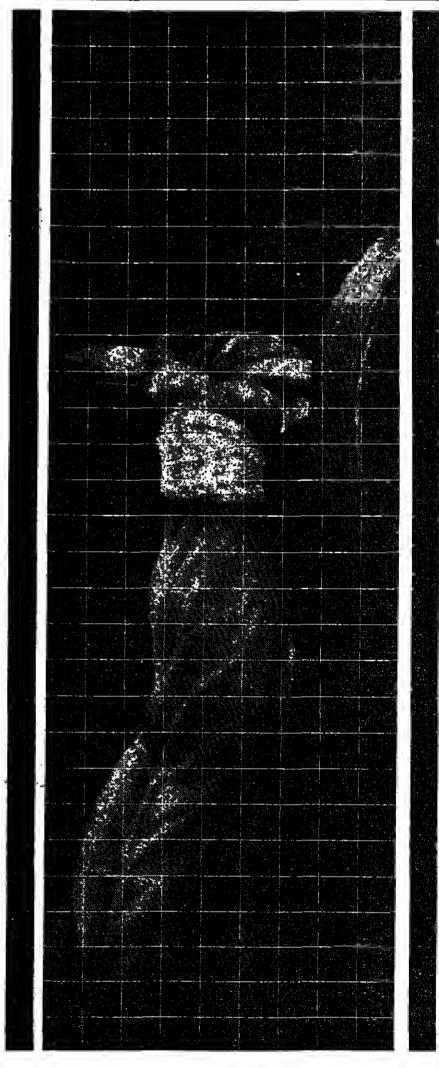
which will be exhausted early next year, compared with 11 just two years ago.

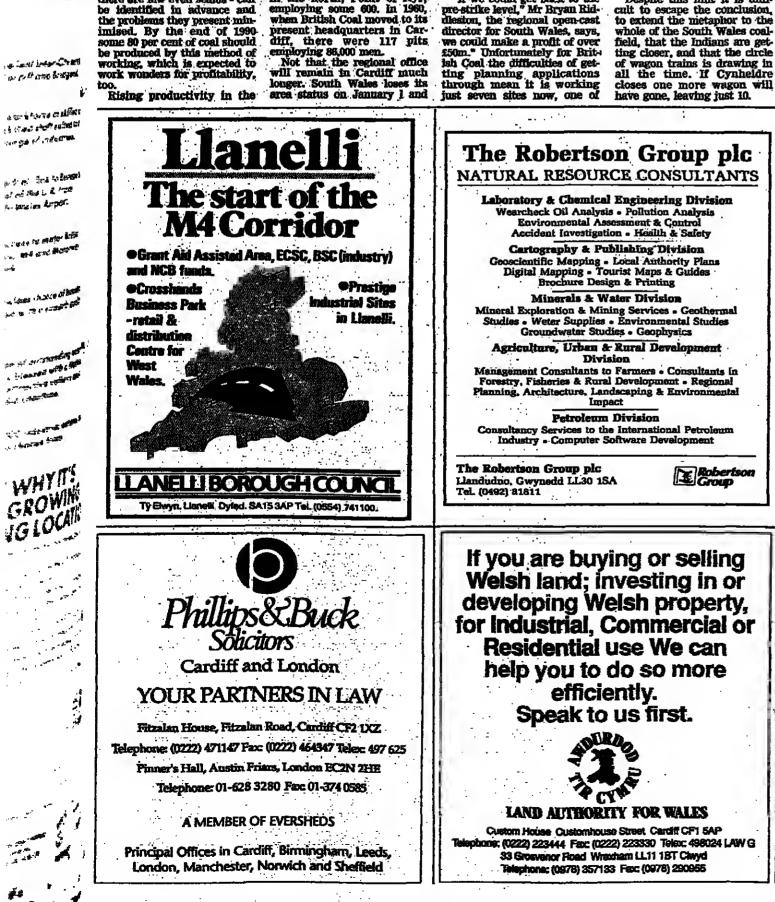
"In the past 12 months we have started four sites to replace those worked out," he says, "and I believe 1988-9 will He bases his optimism on a deal done in Merthyr Tydfil at the instigation of the council by which British Coal is to remove old tips and other industrial waste, extract the coal under them and reinstate the land.

There could be 5m tonnes of coal on the Merthyr site but what excites Mr Riddleston is that the initiative came from the council. Other local authorities may be willing to do similar deals, he hopes.

This may be false optimism. Open-cast mining is widely dis-liked in South Wales and British Coal faces a continuing batdespite the precedent set by Merthyr, to get the go-ahead for open-cast operations. How-ever, the cavalry, in the shape of the government, may be about to ride to the rescue. Mr Michael Spicer, a junior minister at the energy department, said in July that there would be a shake-up in the planning regulations 'to make things ier for British Coal to win its planning applications,

Despite this hint it is difficult to escape the conclusion, to extend the metaphor to the





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World eye view from Llandudno

TO FIND a company with a reputation as a world leader on the North Wales coast may not be unique but it is still unusual. To find it in Lian-dudno, an Edwardian holiday weart containts is minute resort, certainly is unique.

That is where the rapidly expanding Robertson Group has its headquarters and half its 1,000 staff. The Robertson Group may not be a household name despite its size but within its industry its name is on the tip of just about every-body's tongue.

Dr Roy Brichan, its chief executive, who joined the then fledgling concern 20 years ago after taking a doctorate at Leeds, describes its work as being a consultancy in the field of natural resources and the environment

The largest slice of its activity is involved in the oil and gas industry, from which it earns almost 60 per cent of its £31.5m turnover. That turnover comes mainly from overseas, only a third originating in the

Robertson has, for instance, integrated geological, geophysi-cal and engineering evaluation The move into cartography of all the petroliferous basins in the Sudan. Earlier it was involved in seeing how rice can be best grown in Bangladesh when, as the television has shown so graphically recently, large areas of the country are flooded every year between July and September. Its task was to find the best sort of rice that could be grown where there was e danger of the leaves being suddenly and unexpectedly submerged. The Group was set up as COL Robertson Research in 1961, taking its name from a shipping company that worked from a quarry on the coast near Llandudno. The shippers had called in two scientists to analyse the rocks they were carrying and the business grew and expanded from this point. At first it concentrated on minerals but it expanded into petroleum to capitalise on the expertise of one of the two founding fathers. Today, the renamed company (renamed after it went public four years ago) operates in five main areas: petroleum, minerals and water, cartography and publishing, laboratory and chemi-cal engineering, and agriculture together with urban and rural development. There is also a separately managed min-Petroleum remains the major part of the business but the company decided in 1986 after the oil price crash that it was over-exposed in this activ-ity and set out on e vigorous policy of diversification that involved an £8m rights issue last year to provide the money. from having heed office operations in specific localities, North Wales already has a number of importent operations based in the area, such as Iceland Foods and Kwik Save, and Robertson is a distinguished member of that company. That money was quickly put to use. A number of companies were acquired during the financial year 1987-8, helping push turnover up by a half. Petrocon's petroleum testing

bought as were two mapping companies, Merlin Mapping and McCarta.

Laurence Gould, subsequently named. Robertson Gould, was bought as the fourdation of the agriculture, urban and rural division and in the present year Cremer and Warner has been added as well as Pincock, Allen + Holt, which is involved in minerals and water in Denver and Syd-

The Cremer acquisition is a good example of the way in which the Robertson Group now plays an important, if not widely recognized by the general public, role in important evente.

Cremer and Warner specialises in the assessment of major hazards and risks in the transport of flammable and toxic materials. It took a prominent part in the analysis of what happened in the Flixborough and Seveso disasters in. the 1970s and, just recently, it acted on behalf of the Treasury Solicitor in the investigations into the King's Cross underWALES 4

After suffering big job losses in the early 1980s

Clwyd counts its successes

FOUR WEEKS ago FOUR WEEKS ago the American concern, Nice-Pak, which claims to be the biggest producer of wet-wipe products in the world, decided to build its first European plant, cost-ing f4m and creating 125 jobs, on the Delyn enterprise some in Clwyd. Nice-Pak arrived in North Wales as the result of a prom-

Wales as the result of a recom mendation from a company that had arrived in the county that had arrived in the county earlier. Breger Gibson, a manu-facturer in the complementary field of disposable napples, has been in Clwyd for some time and its joint managing direc-tor, Mr Adrian Breger, said it was so pleased with its operations "that it was only natural we should recommend Nice-Pat to come to

Nice-Pak to come in. The arrival of the wipes company brought to 2,500 the num-ber of jobs on the anterprise zone since it was set up almost 6 years ago. Most of those jobs - 36 per cent - are in manu-facturing, unlike many of the enterprise zones which have a strong emphasis on distribution and warehousing. Further, two out of every jobs created have been

full-time ones for men, a big advantage in an area which has seen the numbers at Brit-ish Steel's nearby Shotton works drop from some 13,000 in

the late 1970s to just over 2,000 today. This part of North Wales is booming. If it had more facto-ries available it could let them hes available it could let them immediately. "We are running well behind demand," says the Welsh Development Agency's Ian Gould. "We haven't got a 10,000 so ft factory or higger available in the region. Much of our building unsurements of our building programme to next March is already spoken

for. Mr Mervyn Phillips, the county's go-shead thief execu-tive, is equally bullish. "We have been very successful in stiracting inward investment and encouraging growth among indigenous companies. Ten years ago we lost 22,000

jobs almost overnight with the closures at British Steel, Courtaulds and in the coal industry. But that is all behind us. We have created jobs and now have some of the lowest unem ployment in Wales.

The roll call of companies now operating in this part of Wales is impressive. Fifty over-seas concerns have arrived in the past eight years. Brother



Running out of space: WDA's Ian Gould at Newtoch technology centre, Decoide Industrial Park

and Sharp speerhead the Japa-nese infiltration which now totals five companies, Conti-nental Can (which recently unveiled a 27m investment), Keiloggs and Kimberly-Clark, which in Murch announced a

which in March announced a 52m expansion, represent the larger US concerns. Shotton Paper is the British offshoct of a Finnish concern and earlier this year the West German Vossen, which claims to be the largest towelling pro-ducer in Europe, decided on Wretham for its British base. Major British concerns are well in evidence. British Aero-space, Pilkington's electro-opti-cal arm and Courtaulds have more recently been joined by

more recently been joined by Firegreen, Lactochem, Richard Burbridge, Thor Materials and Central Microfilms.

In many respects north east Wales has become as great a success story as the south east part of the country around Car-diff and Mr Phillips puts his finger on one important advan-tage Clwyd has over the Capitak "We have a much bigger catchment area than either Cardiff or Newport. Within an hour's drive of Wrexham or

is now bursting at the seams and incapable of absorbing much more industrial or commercial expansion the natural habitat for any industrialist

seeking a base near the city is to look west half a dozen miles into Wales.

The knowledge that it has ample land for expansion, ample land for expansion, some big-company names and the backing of the Welsh Development Agency has led to the growth of considerable self-confidence within the county. That self- confidence has, in turn, led it to believe it might even win some of the decentralisation of Whitehall jobs being planned by the gov-

We have not had any major office developments," Mr Phillips admits, "and that is a minus point. But we are working on proposals to rectify it. The original idea for the Desside waterfront scheme on part of the former steelworks site at Shotton came from Tarmac which proposed a major leisure, retail, business park and residential development

costing El60m. The county, the local authority, the WDA and others backed the scheme "It's an exciting proposal," says Mr Phillips. "This is the worst part of the county at the

moment. The site has been cleared, because we put it up as a candidate for the Welsh venue for the Garden Festival that was eventually won by Ebbw Vale. But it's got a lot going for it. The site lies next to the third

crossing of the Dee, which is planned for the early 1990s, and will become a new gate-way to north Wales. Not only that but it will also create between 3,000 and 4,000 jobs when completed. Not everyone views the development quite so enthusi-

level down.

Mold, there are 4m people. Within that radius there is Manchester airport, the third most important in Britain and a major international gate-Way. North east Wales has the added advantage of lying in the shadow of Chester. In other circonstances, this might be con-sidered a disadvantage but since the world-renowned city

astically. Delyn, the next-door authority, fears that the large retail component of the devel-opment will adversely affect the character of the small towns along the North Wales

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coast. The fears are real. Large shopping developments tend to cream off purchasing power from town centres, especially the small ones. But the growth of out-of-town hypermarkets is inevitable and if the development did not go to Desside it would almost certainly look for another outlet within range of side it Chester,

Mr Phillips also points out that research undertaken for the county indicates that Deeside will become a regional shopping centre, competing, with Chester and Liverpool, and that great benefits will

and that great behaviors with scorue from the scheme. Equally as innovative and exciting to Mr Phillips is the development of the Wrenham area as a major centre for the medical-care industry. "We are medical-care industry with the area working closely with the area health authority and the North East Wales Institute in the town to develop a medical technical centre," he says.

This would take advantage of the local hospital and a pri-vate hospital and be based on a technology park being devel-oped by the WDA as one of its np-market "select" sites next door to the Wrexham hospital Clwyd is first into this field, the only anthority in Britain attempting to integrate industry and the medical field in one overall site. It is developments such as these that have put the gloss on CIwyd and enabled it

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is another example of the way Robertson is developing within its own core framework. Mapping is of considerable importance in field work and Dr Brichan eays that the development of computer techhiques in geological map pro-duction made major advances last year. Once a map has been digitalised, for example, the information stored in the database can be used to produce a range of cartographic products, including those capable of three-dimensional presenta-It was therefore thought sensible to diversify this work and

three companies were acquired which are planned to lead to a big expansion in cartographic production Robertson, through the publishing ann, has now moved into county maps, city street plans (primarily for use in the pop-up market) and walking guides. Five county maps have been added to the UK tourist map series and others, such as walking guides in France, produced.

In e country such as the US, It would not be thought unusual for a company such as Robertson to have its international headquarters in a town like Llandudno, if such an equivalent exists there. But Britain is different, and as Rob-Britain is different, and as koo-ertson expands, especially as it expands in the South-East, there will be pressure for it to have a "presence" in the Lon-don area. Robertson is deter-mined to resist this pressure. North Wales wants to keep the company, too. Regional Britain benefits immeasurably from having heed office

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SOUTH WALES PART OF THE NEW FACE OF BRITISH COAL

Smiths Dock shipyard.

tional developer."

He points to the way in which a strategy plan has been

drawn up - "a manmoth task and extremely well done by the Llewelyn-Davies Planning

group" - and to the detailed planning work that has been undertaken. That strategy

WALES 5

WITHIN THE next few weeks South Glamorgan County Council will have completed the move into its new headquarters in the middle of the giant Cardiff Bay development. Incoming officials are already jostling for parking space with the last of the site contractors and the spending power that over 1,100 white-collar workers will bring with them will work wonders for a part of the city that has seen much better days.

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Smaller tenants such as architects Holder Mathias have been in the Bay for some months and others such as ABP, which owns a large part of the part, and ASW, the leading private-sector steel concern, have been there for countless years.

For the most part, though, Cardiff's docklands have pres-ented an unappetising appear-ance for several decades. It took an act of imaginative fore-sight and courage for the county, one of Cardiff Bay's founding fathers, to relocate in

Cardiff Bay was the first of the second wave of urban development corporations to be set up by the government. Fired by the way in which both London and Merseyside had developed their run-down dockland areas after development corporations were set up in 1981, the government decided to go a step further with simi-lar bodies for, first, Cardiff and then Tyneside, Teesside, the West Midlands and Greater Manchester in England The intention to develop Car-

diff was announced in Novem



siting a barrage: the entrance to Cardill Bay, with the islands of Flat Holm and Steep Holm in the background

£1.5bn is being invested to transform the Welsh Capital Cardiff Bay gets under way

envisaged a £1.5bn scheme that would turn the docklands over houses and flats. There will also be shops, lei-sure facilities and an interna-tional maritime "city". The next phase, on which work has already started, is to focus on the next 10 years into one of the most exciting waterside developments in Europe.

"We are not just involved in urban regeneration here," he says. "We are creating an internationally recognized city of the highest merit." The strategy was unveiled at the end of May and envisaged between 5m and 6m so ft of industrial space, another 2m to

3m of commercial development and the building of some 6,000 major steelworks.

the public eye but is adamant that the study work being undertaken, which is "both extremely complex and detailed" is essential before four or five key areas, such as Penarth docks, the area just development can go ahead. Work is, however, well south of Cardiff Central stasouth of Caronic Central Sta-tion, the core area along Bute St (the heart of the old Tiger Bay), the inner harbour (or maritime "city") and East Moors, until 1980 the home of a advanced by an outside group on proposals for the core area and in-house on the East Moors steel site. The inner harbour, probably the most impor-tant part of the whole dockland

scheme, will be sent out to ten-der to an international study team - "but we have to know precisely what to tell them if He refuses to be rushed into announcements just to catch we are to get the sort of result back that will satisfy us." Progress within Cardiff Bay is complicated by the fact that

much of its success depends on a £50m barrage that will enclose some 500 acres of inland lake. Without a barrage the whole development would become much more difficult and this subject is out of Mr

Inkin's hands. The barrage needs e parliamentary bill and there is considerable opposition to it from environmental groups, led by the strong Royal Society for the Protection of

Birds. "The barrage will allow us to turn something adequate and local into something interna-tionally outstanding," Mr Inkin says. "Investors and developers who come here all share that view

The barrage bill goes back to to come to e modus vivendi

Parliament in November and on the best assumption it will be a further 12 months before it is enacted.

Little development will take place on the important inner harbour until it becomes clear, probably around the middle of next year, if the bill is to go through its parliamentary Daces unscathe

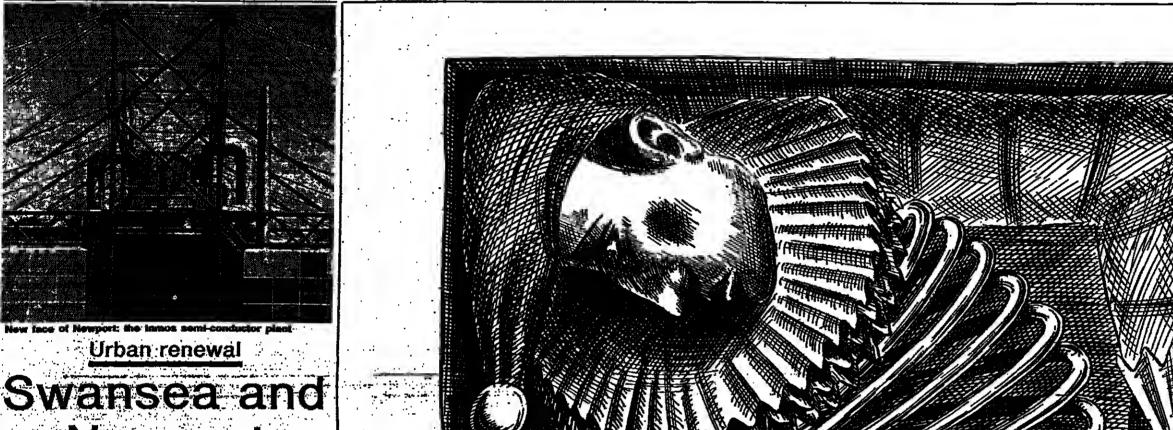
Cardiff Bay also faces diffi-cult negotiations with ABP, tha major landlord in the docks, which not unnaturally would like to develop its own land and take the rise in development values into its books.

The uplift in prime land values is crucial to the success of the whole development of Cardiff Bay and the corporation wants to benefit from as much of this as possible in order to finance further work. Mr Inkin would like to borrow on the land value in order to take as much of the financing of development as possible out of the public sector.

Cardiff Bay DC is about to appoint a merchant bank to edvise on the land question and it is particularly anxious not to antagonise those like ABP who sit on attractive par-cels and who could hold up the

whole scheme Cardiff Bay has the power, a power it is anxious to keep in reserve, of wheeling up the big gun of compulsory purchase. This would lengthen the whole process of development by several years given the built-in appeal mechanism and could also frighten off potential developers. Mr Inkin is therefore anxious

one of the finest cities in Europe. What we are doing has to be seen in that context.



with landowners such as ABP in order that each may benefit to the maximum, but he 'tricky.

edmits negotiations will be Lurking in the background, too, is the awareness that a Commons committee has strongly criticised London for not making sufficient work

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available for local people. This may not be quite such a prob-lem in Cardiff, given that the scope of development will not be as large as in London, but to defuse any potential complaints.

A skills training group has been set up precisely to pro-vide those skills locally that we shall eventually need and a community liaison officer was appointed early on. All the senior staff have spent long evenings briefing the inter-

ested parties, 36 of them. "We have even brought peo ple together in order that we might consult them," Mr Inkin says. "The CBI and Rotary, the TUC and the local clergy. Cardiff businessmen and the chamber of trade. It has been time consuming, but I believe essential."

The development of Cardiff Bay will be e major success he firmly believes. "We are build-ing something here not only for the future but something thet will be internationally recognised. But what we are doing is only part of the wider growth that is taking place in Cardiff Itself. The development of Cardiff Bay complements the development of Cardiff Into

Newport stride out

be described as a tale of two cities, the one having taken large strides towards togener ating its economic life, the other just about to set out. There are great similarities between the two. They both have strong steel and other metal industries and both have ports which have seen better times. Each has been the focal point for valley hinterlands. There, though, the similari-ties peter out. Swansea is a beautiful city which has capi-talised on its attractions to become even more alluring

become even more alluring while Newport, though not an ugly sister, has had to fight hard to make the most of its

Visitors to Swanses cannot but be impressed by its wide-bay, stretching from the entrance to the docks for some half a dozen miles to Mumbles Head. A light railway ~ really a tram rather than a train ~ that ran between the two has long since gone, as have the rugby internationals at St Helens which the tram passed

Helens which the train passed. In its place is a green sward affording the best urban walk in Britain as it runs along the fringe of Singleton Park and the University College. The walk also takes in Swansea marina, an example of how to develop a captive dock without destroying the area's natural advantages. advantages.

advantages. Newport has no such compa-rable jewel. Although the lown straidles the month of the Usk; a famous selmon river in its higher reaches, one could be forgiven for thinking that suy self-respecting fish that entered this particular river would probably die of much pol-soning before it reached the point where it could fall prey to an angler's rod.

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to an angler's rod. The Usk at Newport is, frankly, an eyesore. Yet despite its almost inherited disadvaninges. Newport has imagine-tive plans for its redevelop-ment. Swapsen has managed to eliminate much of the develotion caused by its industrial past but Newport is the more likely of the two to take a giant

This is not just a question of its being the first port of call on the way in to South Wales, though this has helped. It is undoubtedly easier to attract

WHAT HAS happened at companies to south east Wales Newport and Swansea might - than it is to induce them to be described as a tale of two proceed further along the M 4

expected eventually to expand to employ over 2,000 people. The Patent Office has this month begun its transfer from London. A Dutch concern is thinking of a £100m cold store development in the docks that could employ 300,

At the heart of Newport's development are two schemes that will transform the town, a \$70m plan by Burton Property Trust, offshoot of the Burton shops group, to relevelop the shoping centre and a £40m joint scheme involving the council and put up by Regalian for a barrage across the river.

The Uak as it passes through Newport is little more than an eyesore, as is the Tawe in Swanses, But whereas the Tawe is slightly off-centre in the city the Usk impinges directly on Newport directly on Newport.

The barrage will allow a sta-he water level in the river and so enable both the water to be closened and and both housing and commercial developments to take place alongside.

Swanses has also joined the battage builders (they are extremely popular in south Wales: both Cardiff and Lia-nelli also have plans for them). The city has obtained pariia-mentary approval for its film scheme and expects to com-them with on it by 1962 plete work on it by 1992.

Swansea is also fortunate in that is it the home of Wales's first enterprise zone, an area which has been a considerable which has been a considerable success story. The zone is, physically, the largest in Britain and the emphasis is on retailing. More recently a suc-cessful office market has emerged with two schemes offering is wide variety of choice.

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VI

ON THE last Friday in March last year hurrican-force winds which tore up trees and blew down buildings caused the Sev-ern Bridge to be closed to traffic for only the second time in its 21-year life. The result was little short of chaotic.

The journey from the out-skirts of London to the centre of Cardiff, which can be done comfortably in under three hours along the M 4 motorway in ordinary conditions, took upwards of six hours. There were long queues of cars and lorries approaching the bridge, unable to go forward or back. The alternative route, along

the A 40 and the A 48 after Gloucester, turned into a nightmare procession of frus-trated drivers trying to overtake in the wrong spots, traffic hold-ups at the roundabouts on the Oxford hy-pass, trees across the road across the Cotswolds and interminable delays in the little towns of Lydney, Newent and Chepstow along the Severn estuary. The elements had proved in a few hours what Weish indus-

a lew hours what weak hing for years - thet the Severn Bridge has become an absolutely essential element in the Weish economy.

The closure pointed up one other factor; the need for a second crossing. Not just as an insurance policy against the likelihood of the conditions of Friday March 27, 1987, repeating themselves hut also, and more importantly, to cater for



The Severn Bridge: daily traffic totals do not reflect bunching at certain times of the day

The Severn Bridge Small print key to a second crossing

the increasing amount of traf-fic crossing the present bridge. "Wales is the only major industrial area where access to

the main markets is across an estuary," says Mr Ian Kelsall, Wales Director of the Confederation of British Industry. "The bridge is absolutely crucial to the growth of the economy. A second crossing is essential."

The case for a second cross-Mr Dudley Fisher, chairman of the Wales CBL, adds that "industry sees the second hridge as building on the strength of the Welsh economy and we are not going to let this project slip from our grasp. Pressure must be kept up until the government's commitment to a second crossing is pnt beyond doubt.

the present bridge being acceptable.

Unfortunately for Wales, the bridge is the responsibility of the Minister of Transport rather than the Welsh Office and Mr Paul Channon, its Minister, prevaricated.

This July he appeared to put the matter at rest when be announced in the Commons that he would invite bids to build the new bridge. The small print, though, allows a letout and Welsh industry is not convinced it has what Mr Kelsall describes as a "100 per

Action describes as a "low per cent cast-iron guarantee". Mr Channon has in effect said the second bridge will be built provided tha private sec-tor finances the operation "or designs and builds it with the government responsible for funding and operation." And the operator will have to take over the existing bridge, its problems, its financing, at the

same time. If no private operator come forward the government would only consider building a bridge if projections of growing traffic warrant it. It is this caveat which worries business. Mr Fisher has said: "When

questioned about the project Mr Channon made it clear roverni

WALES 6

whole year the daily average is now 44,500. That figure rose by 9 per cent last year following a 7 per cent rise in 1986, both ter than national forecasts. The growth in traffic cross-ing the bridge is, though, not as fast as that on motorways generally, where the increase is now running at 13 per cent a year. Government forecasts of traffic across the bridge indicate a daily average of around 47,000 vehicles if gross national product rises by 2 per cent a year or 53,000 if the rise is 3 per

Motorway growth tends to reflect changes in GNP - and at the moment GNP is rising considerably faster than these

The daily totals do not reflect the bunching that occurs at some times of the day. Between 8am and 9am going east, between 4.30pm and 6pm going west and on Friday evenings and Saturday morn-ings, in particular, the hourly flows are considerably above

average. When this happens there are long delays. On Fridays the daily average rises to 60,000 vehicles and on Saturdays in August it is over 66,000. Some of the delays have been eased by the addition of a

ninth booth which allows five to cater for the morning peak eastbound and five westbound in the evening. But the Minis-try of Transport is unclear what effect the extra booth has had since the bridge is curshape. rently restricted for long periods to e single lane in each direction for refurbishment.

A £56m programme to strengthen the structure and resurface the road was started in 1986 and should be com pleted in 1990. By then the bridge should be capable of carrying a full load - except at in Cardiff. peak times. The worry of the

engineers, though, is not so much the number of vehicles crossing as their weight - the permissable weight of lorries has increased and there are many more of them using the The strengthening cost has pointed up the fairyland nature of the economics of the bridge.

It cost £8m to build in the 1960 and it was expected that tolls would amortise the initial investment by 2006. However, government financing rules force the capitalisation of inter-

est charges, to which now has to be added the £56m refurbishment work, so that at the moment, the existing bridge is almost £100m in the red. It is this deficit that will have to be taken into account by any prospective developer

of the second crossing and is causing concern in Wales that it might inhibit a developer from coming forward. The Illogicality of Treasury-financing is made worse by the illogicality of the Ministry of

crossing.

Transport's own rules on tolls. It says that all estuarial crossings are subject to tolls. But this is not true of the bridge Valleys Initiative

Repairing the fabric of the 'inner city'

THE PARC and Dare Hall in Treorchy was, many years ago, the centre of most of the social and cultural life at the top end of the Rbondda valley. Founded over a century ago by subscriptions from the miners working in the eponymous col-liery, it was in effect their "university", library, social centre, doctor's surgery and

theatre. theatre. Some miles to the east, in one of the Gwent valleys, the Workmans Hall and institute in Elaenavon played a similar role. These two still exist, though many similar institutes have long since succumbed to economic and social neglect following the closure of local pits and, when they have not actually been closed, they have been turned into cinemas and

bingo halls. Today, it is recognized that centres like the Parc and Dare and the Blaenavon Institute and under the Valleys Pro-gramme launched by the gov-ernment in June 2700,000 is to be spent on making them ship-

From the outside, the Parc and Dare looks like a typical Welsh Victorian building, all stone and coloured glass. Inside, it is now a modern building with an 800 seat thea-tre that every year draws in abont half as many people again as the Sherman Theatre

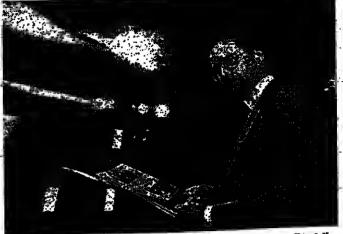
Tha Parc and Dare has received £100,000 towards improving the theatre's cantilever stage and dressing rooms, some structural work and pro-viding new equipment. Next year the Blaengarw Workmen'a Hall above Maesteg and the Coliseum Theatre in Trecynon, in Aberdare, will get similar

The Weish Office is now looking for other social and cultural centres which have fallen on hard times and are in need of repair to restore them

as living centres. But neither a new stage nor a coat of paint are enough to cure the problems of the indus-trial valleys of south Wales. Mr Peter Walker, the Welsh Secretary, whose Valleys Initiative to regenerate the area was lannched earlier this year, is aware of this,

The valleys have suffered from a serious run-down complete disappearance in many cases — of their basic industries, coal and steel. There were once 66 plis in the Rhondda alone. Today there is none.

Factories have come in to replace coal and steel, but as Mrs Mattie Collins, leader of



Tony Roberts, deputy chief executive, Rhondda Council, at the Pare and Dare: putting inward investment first.

Walker's personal stamp in a number of areas.

number of areas. The Welsh Secretary set out to reduce the 37,000 unemploy-ment figure by 25,000. "My plans could bring it down to levels existing in the South East of England," he said in the spare surroundings of the Availed Screen Print factory in Applied Screen Print factory in Tonypandy.

Such hype, even though he carefully used the past indica-tive tense of the verb, allowed Labour politicians, who dominate this part of south Wales, to accuse the minister of doing little more than packaga together a mish-mash of bits and pieces, some from within his department, some from outside in the private sector, in order to make the whole thing

look good. There is some truth in this accusation. Whitbread had on the stocks a £14.5m investment ogramme to npgrade its pubhouses in the area. Bass had a similar £23m programme. Their research had established that when a run-down pub had been given a face-lift turnover could rise by as much as a half. Whitbread had been working on plans for the pubs since the end of 1986 but they were

included in the valleys pro-gramme as "enhanced" spend-But such criticism, however true, misses the point. Mr Walker has focussed attention on the area, not only encourag-ing the local authorities to put a renewed impetus behind their own plans but also the outside community to believe that something is now being done on a major scale about the economic and social fabric, The actual programme itself, thether "new", "enhanced" or

emerged last June bore Mr led by Mr Henry Kroch, Presi-Walker's personal stamp in a dent of the AB Electronic Products Group - and is a hefty document of some 40 pages.

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It included not just economic proposals such as a specific small-loan scheme, a technol-ogy development fund, a busi-ness centre in Merthyr Tydfil, a craft initiative and a big boost in the WDA factoryboost in the wDA lactory building programma in the area, but also urged new links between schools and business, a Wales Tourist Board marketing campaign to attract more visitors, road improvements. more spending on derelict-land clearance to improve the envichearance to improve the envi-ronment, the backing of com-munity projects, and develop-ment of health centres, and a variety of assistance for hous-

While some national politi-cians may have cavilled, the local authorities, Labour to a man, have taken a different view. The Rhondda, a progres-sive council, has taken a posttive view, welcoming the pro-posals and working out how it can best benefit.

Mid Glamorgan, one of the three counties involved, is to set up a task force to ensure it reaps full benefit from the suggestions. Given the despoila-tion that nearly two centuries of industrialisation have inflicted on the valleys, it would take a programma devised by the archangel Gabriel to cure all the prob-lems of the area in one go.

Mr Walker is not the archangel and his programme is not omnipotent but it does have the merit of pulling all the strands together, pointing everyone in the same direction and giving the whole thing an mous push. It is now up to

CLWYD

The success of the County of Clwyd, in rebuilding its economic base, is fast becoming legendary. An amazing transformation has taken place during the 1980's, with Clwyd clearly emerging as one of the prime U.K. locations for company investment and expansion.

In the last six years new companies have located in Clwyd from ail over the U.K. and overseas. Many have undertaken further expansion projects and are continuing to prosper in their new location.

To find out more about Clwyd and the considerable

ing has been growing insis-tently in Wales for some years. That case has been accep ed by the government - but only obliquely and in such a way as to leave industrialists with some fears about its outcome. The case was accepted in principle two years ago by the then Secretary of State for Wales, Mr Nicholas Edwards (now Lord Crickhowell), subject to the site of the crossing, almost on top of the existing Seven Tunnel rail link some three miles downstream from



WALES 7

Development of Mid Wales has gathered momentum but ...

House prices threaten jobs

In the middle of last month, at the height of the holiday sea-son, the Hampshire concern, Naerok, which makes drilling, grinding and sawing machines for wood and metal working, chose to announce that it was to move to Brecon, in the foot-bills of the Beacons.

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The move will eventually create 25 jobs in the small market town. It follows the deci-sion of Custom Fasteners, which makes nuts and bolts, to create 10 jobs in Newtown after moving from Redditch.

In the middle of Wales jobs are counted in tens, and none. the worse for that, says Dr lain Skewis, chief executive of Mid Wales Development, the government-funded corporation set up in 1977 to regenerate this part of the country where sheep outnumber the 194,000 humans by about 50 to one.

"I am very optimistic indeed about the future. There has been a big improvement in the economy over the past year and we are more optimistic than we were four months ago.

"What is particularly pleas-ing is that a lot of the progress is being made by indigenous concerns. Companies like Naerok and Custom Fasteners are important but we let as many of our factories last year to local people as to incompany the first time this has happened. We believe that before long indigenous growth will outstrip that of outsiders.

There is, however, one very large cloud on the landso marge cloud on the landscape: housing. The provision of housing, or, more accurately, its non-provision, threatens the corporation's ability to maintain its momentum.

Rural depopulation, which threated the fahric of the area a decade ago, especially as farm workers moved off the land, has largely ended. Some 300 farm workers are still thought to give up, or be forced out of, their jobs every year but this is a contentious figure and few people are convinced it is completely accurate.

The decline in the popula-tion has been ended, though, not so much by a rising birth rate as by a massive inward movement of people. New companies, bringing some workers (usually executives) and creating other jobs, are welcome. What is not welcome is the flood of people coming to live in the area without working in

Dr Skewis calls it "a men-

British Gas Wales provides energy for industry. and commence with an informing approach to products and service. 1.1 If you're moving to Wales, take a little time to talk

Dr lain Skewis, chief executive, MWD: house prices have gone through the barrier of reality ace". Mid Wales has cheap houses. It is a soft area for those with high disposable 12 months." One sector where he has fewer worries is factory let-tings. In the first four months of this year MWD let 47 units representing 140,000sq ft, 44 per cent of its total lettings in 12 months." incomes living in the South East of England or the Mid-lands who want a second home, somewhere to live hav-ing cashed in on the capital value of their own houses, or 1987-8.

value of their own houses, or just simply commuting from Wales to wherever they work. These people have help to force up house prices dramatic-ally and practically absorbed the available supply. In the last year prices have, on aver-age, doubled to around £40,000 - cheap by comparison with Kant or Worcestershire, hnt costly in the low-wage econ-omy of Mid Wales. Prices have "gone over the barrier of real-ity" in the opinion of Dr Ske-

This eruption in house prices has coincided with a govern-ment policy of deliberately cuthigh back on public-sector housing. Mid Wales Develop-ment has a housing responsi-bility and Mr Leslie Morgan, its chairman, says: "We are building about 60 in Newtown and have agreements with housing associations. But we have difficulty meeting the needs of companies coming here which want houses for the key workers they bring with them. A supply of hous-ing is essential if we are to continue to attract incomers." Dr. Skewis adds: "Housing is

fach creamery in April at a cost of 130 jobs and while MWD-led the way in finding a buyer going to be the most difficult

problem we face in the coming for the plant. "the outcome was not exactly as we wished," according to Mr Morgan.

There are some problems, too, in the far west of the area, around the coastline of Cardigan Bay. This is where, because of the country roads and the distances from mar-Another bull point is the kets, it is most difficult to interest being shown by local people in setting up for them-selves. Apart from the high level of factory lettings to local people the number of business attract incomers. Companies like Laura Ashley, which has recently undertaken a hig investment programme in the area, and Control Techniques inquiries is running at record levels, having reached 553 in the first three months of the have happily expanded along-side the border with England but it has been more difficult the first three months of the year, a rise of 17 per cent on the same period of 1987. Allocations of grants and loans are on an upward trend, more companies than ever are taking advantage of the small-loans scheme and business is more outlimiting about the to attract concerns further st. ...

A recurring problem in rural areas, from which Mid Wales is no exception, is labour short-ages. Dr Skewis's team have to walk delicately so as not to upset the fine balance of the economies of the small towns more optimistic about the future than earlier this year. If this appears to be a picture of boom piled upon boom seeds of caution need to be sown. Large-scale closures come out they are seeking to regenerate. About a third of the companies operating in the area already face labour constraints and the CBI has warned about the dangers of bottlenecks arising.

of the blue. The closure of the Lncas Electrical plant at Ystradgynlais would have led to the loss of 800 jobs had the These are the penalties of success, though. As Mr Morgan points out: "the pace of eco-nomic growth continues to situation not, through the com-bined efforts of MWD and the Welsh Development Agency, been turned to the good through a well-backed rescue. quicken and there is higher than average optimism among Dairy Crest closed its Felinbusinessmen about future pros-pects. It is a lot more healthy outlook that 11 years ago when MWD was set up.

SOMETIME IN the middle of next summer the National next summer the National Museum of Wales will open its Museum of the North, Amgueddfa'r Gogledd, in a bold move to create a major branch in North Wales. Dr David Dykes, the national museum's director cave the by the project is one "very close to my heart. It is important that we should have a major presence in North Wales so that we are

not seen as a primarily South Wales institution." The museum has been able to go ahead thanks to the

financial backing of the Central Electricity Generating Board, which is putting up half the film cost in order to have an exhibition of the history of energy, electricity in particuhar. The museum will be on the site of Oriel Eryri, or Snowdon

Gallery, at Lianberis, which is also the location of CEGB'a underground Dinorwig pumpstorage power station buried away in an adjacent mountain-

Dr Dykes is particularly pleased with the arrangement both because the CEGB approached the museum and because an earlier attempt by the two parties to get such a deal going came to nothing. The CEGB intends to mount

a permanent exhibition on the site whereas the museum will have permanent and "travel-ling" displays. Dr Dykes espe-cially wants to be able to show artefacts in the new museum

that originated in North Wales but are now housed in Cardiff. There will also be a perma-nent history of the evolution of Wales from geology to indus-trial and social history. "It is my intention that the Museum of the North should become a

major focal point for the cul-tural life of the area as well as an important tourist centre. Next summer will also see

last 25 years by the University of Wales. Fifty and more years ago Gregynog, then in the posses-sion of the redoubtable Davies

sisters, renowned philanthropists, echoed not only to the music but also to the presence of Eigar, Vaughan Williams and Gustav Holst. Festivals of

music and poetry under the direction of Walford Davies regularly drew crowds to this beautiful part of the countryside. The revival of festival music-making at Gregynog arose out of a request to Apthony Rolfe Johnson, one of the world's leading tenors, to

....

The arts scene

Riches go on display



Dr David Dykes, Director of the National Museum of Wales

This will not be easy to

played host to poetry so too it was included; A E Housman's Shropshire Lad echoed through halls not that many miles cert. On holiday in his own cot-tage last year Mr Johnson was asked to take part in a concert in Gregynog to raise funds for the Urdd, the Welsh League of away from Wenlock. Youth, whose annual eisteddfod was held in nearby New-

away from Wenlock. "Musicians love to play at festivals where the atmosphere is convivial and the standards of the highest," Mr Johnson says. "To sing and play in a hall as intimate as Gregynog is a rare treat for musicians for whom playing to thousands is the norm." So keen were they that many town this year. Mr Johnson, delighted with his reception, suggested to the warden of Gregynog that there might be scope for something more comprehensive than a one-off concert – and found So keen were they that many

of them have offered to return next June. "Now there is a disment and some prominent companies such as Laura Ash-ley whose international headtinct chance that the festival's snccess could lead to its becoming an annual event. quarters are only a few miles away in the village of Carno, Austin Reed and Shulton (the achieve because, as Mr John-son says: "If it is to become an established event in the artis-Old Spice concern).

tic calendar Gregynog must, of necessity, be based on the highest possible artistic stan-dards." And that means high costs since artists will not Mr Johnson found the artists for this year's festival by the simple expedient of rounding up as many of his friends as were free during the festival week in June, People like Ben always be willing to donate Luxon, the bass-baritone, Caththeir services. erine Wyn Rogers, a mezzo soprano and Jean Rigby, The arts scene in Wales has also been much enhanced in 1988 by the opening of the National Portrait Gallery's fourth outstation at Bodelwydanother mezzo, gave their ser vices free, as did Gabriel Woolf, the actor, and the Northern Chamber Orchestra. dan Castle in Clwyd. Wales now has a major permanent collection of 19th century por-The accent was not just on

take part in a fund-raising conmusic: as Gregynog once

traits on show and the exhibition of over 100 portraits of great Victorians has been complemented by the loan of some of the Victoria and Albert Museum's most important pieces of 19th century furni-

VII

Clwyd County Council bas been instrumental in bringing about this gallery. It bought the castle, a 15tb century build-ing, in 1982 following its demise as a boarding school, and transformed both lt and the surrounding parkland into an important national monu-

ment. Work on the parkland enabled Bodeiwyddan gardens - artistic rather than of the arts - to house part of the largest private collection of dahlias in the country. The 2,000-strong collection owned by Mr David Brown of Oxford. is being broken into smaller lots and distributed to various garden and horticultural concerns and 350 varieties, one of the smaller collections, are to

be at Bodelwyddan. The restoration of Bodelwyd-dan Castle has enabled the National Portrait Gallery to sbow a collection which would otherwise not have been available because of the lack of space in the London gallery and so is a bonus for art lovers everywhere as well as for

While these moves have been taking place the Institute of Welsb Affairs has been starting work on a major review of the arts in Wales. The Institute was set up last year and has already produced one well-received report on the regeneration of the South Wales valleys. Now it is to look at the whole question of the arts in Wales, from their contribution to the economy, to ways in which the quality of training for artists in the country might be improved. It expects to produce its report

next year. The Welsh institute's work follows closely on that of the Policy Studies Institute which reported in July that the arts generate a turnover of £10bn a year in the UK and give direct employment to nearly 500,000

people, This progress has come at a New Theatre time when the New Theatre has reopened in Cardiff after a multi-million pound facelift, when the Grand in Swansea has consolidated its position, and the Sherman Theatre in Cardiff has been saved from

closure. Wales, a country that for long has relied on its musical traditions for much its artistic beritage, is developing rather nicely along many different paths now,

himself organising it. Others quickly backed him, including Mid Wales Develop-

the second year of a new music festival at Gregynog, a Victo-rian mansion just outside New-town, Powys, owned for the

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WALES 8

Airport delays may persuade more people to holiday at home

Tourist industry lifts targets

IF THE chaos in the air that has hit holidaymakers this has hit holidaymakers this year, and the long delays at airports like Gatwick and Luton continue next year, Britain could be in for a bum-per summer. Blackpool, Brigh-ton, Llandudno and the like could find themselves inun-dated with visitors who prefer cased with visitors who prefer to spend a forthight in a resort rather than a considerable part of it in an airport lounge. Or Llangoed Castle, in Powys, where next May, Sir Pargard Achieve chairs of the

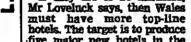
Bernard Ashley, chairman of the famous textiles-to-shops group that bears his late wife's name, opens what he intends to be the best country-house

hotel in Britain. Or Portmetrion, the Italian-ate village created by the late Sir Clough Williams-Ellis near Penrhyndendraeth in the depths of Snowdonia, where the famed hotel has re-opened after a fire that at one time

after a fire that at one time threated to close it altogether. Mr Paul Loveluck, chief executive of the Wales Tourist Board, stresses the opportuni-ties. "Tourism now brings film a year to Wales," he says, "and provides far more jobs than any other single industry. By developing tourism properly we can make a significant con-tribution to the Welsh econ-

Scots are thought to earn some £1.8bn a year already and will undoubtedly have boosted

overnight stay, a figure which is rising fractionally but which s still not quite half the pro-



and refurbished Lake Vyrnwy Hotel is one towards the total and the Holiday Inn at Swan-sea and the Cardiff Bay Hotel in Cardiff, which are due to more part which are due to open next year, are two others. But there is also a need for development of more hotels in a different bracket, the coach-

ing-house type, slightly out-of-town in the larger places or in some of the resorts where the coach operators and their tour places can be accommodated. The example very much in mind is the Metropole Hotel in Llandrindod Wells, a three-star place with 121 rooms where the

proprietor-manager, Mr David Baird-Murray, has spent a large sum not just on installing a bath or shower in every room but has also put in a swimming pool as part of a health-and-leisure centre. The major Welsh tourist

draw at present is the National Museum of Wales in Cardiff, which attracted just over half a million visitors last year, a large proportion of whom were

school and other parties. By comparison more than five times as many people visited Westminster Abbey, a large proportion of them tourist-visitors to London. Wales, therefore, has to "sell" its great strength, its incomparable beauty and opportunities for active vaca-

opportunities for active vaca-tions such as walking, moun-taineering, pony trekking and sailing. Here, though, care has to be taken in development ause demographic change

could negate any investment and quickly turn attractive centres into white elephants. Demographic trends in Britain are producing an aging population and the decline in the under 25 group means less mand for rigorous activities. An increase in the proportion of 25 to 34-year-olds, on the other hand means means a greater demand for family activities - steam railways rather than surfboarding, per-

Mr Loveluck says that these changes can be accommodated by concentrating on quality of service, working with the industry, the creation of new career patients. "We have to

get across to the public that this is an industry with a high degree of interpersonal skills and one that can bring considerable personal satisfaction to those working in it."

The prospects for the indus-try are enhanced by an aware-ness among developers and local authorities that hotels are pre-requisite for other big evelopments. Undertakings in places as disparate as Deeside in North Wales and Merthyr Tydfil and Bridgend in the south all have the word "he pencilled in. Even within the South Wales valleys, long thought of as the most depressed part of the country, some of tha brewers have ambitious ideas to upgrade their public houses and add frooms in some of them



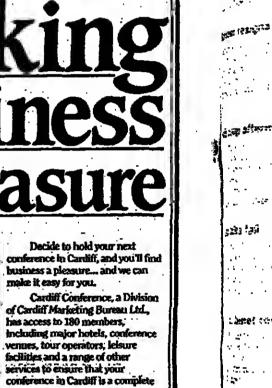
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posing entrance to 700-year old Harlech Castle in Gwynedd: one of Wales' most famous **Jourist attractions**





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